

COMPETITION COMMISSION OF PAKISTAN

ENQUIRY REPORT

(Under Section 37(1) of the Competition Act, 2010)

**IN THE MATTER OF ANTI-COMPETITIVE ACTIVITIES IN THE POULTRY
SECTOR**

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Dated: 6th December 2021

I. BACKGROUND & FACTS

1. This report has been prepared in pursuance of the enquiry authorized by the Competition Commission of Pakistan (the “Commission”), under Section 37 (1) of the Competition Act, 2010 (the “Act”), on 21st May 2021 against suspected anticompetitive activities in the poultry industry.

Day old chicks

2. Concerns were received by the Commission through Pakistan Citizen Portal (‘PCP’) and the Commission’s online complaint portal pertaining to prices of day old broiler chicks (‘DOC’) particularly monopoly of hatcheries for day old chicks who are selling a chick worth Rs. 20 for Rs. 77. A concern raised by a broiler farmer was that the hatchery companies artificially keep prices of DOC high by controlling production of the same. Another concern pointed out that hatcheries had formed a cartel whereby there was a daily pricing system and the price of DOC of all hatcheries was uniform (**Annex-A**).
3. Upon further probe into the matter, it appears that Sadiq Feeds, Supreme Chicks (sister concern of National Feeds and Supreme Feeds and part of Seasons Group), Sabir’s Group, Jadeed Feeds, Islamabad Group, Big Bird Group and Hi-tech group were involved in the sale of DOCs¹. DOCs are sold directly to the poultry sheds by these companies (sometimes brokers or middlemen are also involved) and these chicks then grow to produce broiler meat.
4. An individual affiliated with the poultry sector was contacted and he informed that companies producing day old chicks collectively decided (‘mushtarka’) the rate of DOC. The rate is uniform for all the companies and is communicated on their behalf via text message by official of Big Bird Group (screenshots of messages by this official are attached as **Annex A-1**). He further stated the rate was the same for Punjab and different for Multan and Karachi (due to transportation charges). The new rates are announced either daily or under regular intervals.
5. It is noted that DOCs are an essential component of broiler meat and any increase in its prices has a direct impact on the prices of chicken. An analysis of prices of DOC shows

¹Companies websites

that from March 2020 to April 2021, the prices increased from Rs. 17.92 to Rs. 79.92 per chick which is a rise of 346%. Prices of feed coupled with high prices of day old chicks appear to be amongst the major causes of rise in broiler prices.

Months	Chicken Farm Broiler Live Price (Rs/kg)	Day Old Chick Price (Rs./Chick)*
Mar, 20	154.55	17.92
Apr, 20	140.64	15.27
May, 20	206.15	35.58
June, 20	203.25	40.31
July, 20	194.78	28.17
Aug, 20	135.81	18.15
Sep, 20	150.49	33.5
Oct, 20	184.27	52.12
Nov, 20	223.62	55.26
Dec, 20	225.00	61.5
Jan,21	183.74	39.04
Feb, 21	231.26	59.83
Mar, 21	254.33	67.08
Apr, 21	258.47	79.92

Source: PBS for Broiler Prices, *Monthly Average Prices calculated from daily price of DOC obtained from the website of Agbro

6. From the above it appears that a few companies are involved in the sale of DOC who may be collectively deciding on its prices in *prima facie* violation of Section 4 of the Act.

Table eggs (layer farmers) & broiler meat

7. It is observed that daily rate of eggs and other poultry products i.e. day old chicks, live broiler etc. are shared on different social media sites including Facebook pages or groups and Twitter account etc. Some of those pages or accounts are mentioned hereunder:
 - a. # DPR 6.3
 - b. #DPR 6.4 (On the same page a face book link provides a cell No. 0300 3684849 which belongs to Syed Murtaza Qadri who owns the designation of Accounts Executive at Apex Agro Feeds Kotri , Sindh)
 - c. Pakistan Eggs Rate & Update
 - d. Pakistan Poultry Updates

- e. Pakistan Poultry Rates & Updates.
 - f. Pakistan Layer Farmers Ittehad (a WhatsApp Group)
 - g. Daily Poultry Updates
8. Upon visiting the Facebook page of Pakistan Layer Farmers Association, several posts revealed the following information:
- a. A statement posted on 01.02.2020 exerts that *“only Pakistan Poultry Association (PPA)'s rate is shared in all groups of Pakistan Layers Farmer Association including Pakistan Layer Farmers Ittehad and no other rate is allowed to be shared”*. It further states that a meeting of Pakistan Layer Farmers Association will be held which will invite layer farmers from all over Pakistan. In the meeting an *“announcement of farmers collective (‘mushtarka’) and uniform(‘muttahida’) plan of action will be made”*(**Annex-B**)
 - b. On 25.02.2020, another post was shared by the said association which reveals that in a meeting held on 05.02.2020 and 25.02.2020 wherein it was decided to form a committee with the name of *“PPA Farm Egg Rate”* comprising of six persons. The said committee was assigned the following task: *“PPA egg rate committee will on a daily basis issue rates based on the consultation (of farmers in the region)”*. Farmers are requested to *“strictly follow the PPA supervised rates”*. (**Annex-B-1**).
9. Multiple such examples of daily price with the name of *“Farmers Farms Gate Rate or “Farmers Ka Apna Mutafiqa Farm Gate Rate”* are there on the said Facebook page of the association. Another message posted on the group reads:
“Attention all layer farmers. Strictly follow the message rate for sale of eggs... The present production of eggs is less than the current demand therefore... Our egg our rate”. (**Annex-B-2**).
10. It appears that there is a collective decision by layer farmers under the umbrella of PPA to decide the rates of eggs based on locality or regions which could constitute a *prima facie* violation of Section 4 of the Act. It is also observed that there are other social media accounts whereby rates of broiler were also discussed.
11. Based on the foregoing, the Commission authorized an enquiry into anti-competitive activities in the poultry sector and appointed the following officers to submit a report in the matter:
- a. Maliha Quddus, then Joint Director (C&TA), now Sr. Joint Director;

- b. Sara Jamali, Assistant Director (C&TA);
- c. Abdul Haseeb Satti Assistant Director (CP&R); and
- d. Aziz Ullah, Management Executive (C&TA)

(Hereinafter referred to as the 'Enquiry Committee').

12. Pursuant to Section 28(2) of the Act, the powers of the Commission under Section 36 of the Act were also delegated to the enquiry committee for the aforesaid enquiry (**Annex B-3**).
13. Subsequent to the initiation of the enquiry, sales departments of two companies producing DOC i.e. Islamabad Group and Big Bird Group ('BBG'), were contacted telephonically and inquired about the rates. Both companies quoted the same price and also informed that prices for north and central Punjab were the same and then freight factor of Rs. 1 was added for Multan region onwards.
14. In view of the strong indications of the use of PPA's platform for collective decision making regarding rates of poultry products as well as the circulation of DOC by the official of the BBG, the enquiry committee presented another working paper to the Commission to authorize its officers under section 34 of the Act to conduct 'enter and search' inspections of premises of PPA and BBG in order to gather substantial evidence in the matter. The Commission vide its authorization dated 31.05.2021, authorized two teams of officers for search and inspection of the premises in use of Pakistan Poultry Association Northern Zone located at Poultry House: 24, Block- R, Johar Town, Lahore and Big Bird Group located at Head office 2-A, Ahmed Block, New Garden Town, Lahore (collectively referred to as 'the Premises') under the power granted to it by Section 34 of the Act in order to collect any further evidence regarding the suspected violations of the Act.
15. The aforesaid inspections were carried out on 1st June 2021 and the authorized teams impounded all the pertinent material including *inter alia*: handheld computer devices, documents and other computer stored data. Copies of the respective authorization and inventory list are attached as (**Annex-C**).
16. To access information stored on impounded handheld computer devices, the Commission sought assistance from the Federal Investigation Agency ('FIA'), under provisions of Section 53 of the Act, for digital forensic analysis to retrieve the digital evidences as per the requirement of the Enquiry Committee. Scope of the digital forensic analysis was to analyse evidentiary items relating to: phone calls made and received, SMS messages, messages/conversations including media on app based

communication, email accounts, and retrieval of information with regard to key words (**Annex C-1**). FIA report attached as (**Annex C-2**) whereas the relevant evidence relied on by the enquiry committee is reproduced (and annexed) in the subsequent sections of this enquiry report. In addition to this, assistance under Section 53 of the Act was also sought from Pakistan Telecommunication Authority ('PTA') for the verification of the ownership details of the numbers of various participants involved in the exchange of information related to the poultry products and is attached as (**Annex C-3**).

17. Furthermore, in order to gain insight into the pricing mechanism of poultry products, interviews under Section 33 of the Act were undertaken by the enquiry committee of various persons involved in the poultry supply chain including broiler farmers, layer dealers and traders. Meetings were also held with the Livestock Department (Government of Punjab) at Lahore and Poultry Research Institute (PRI) in Rawalpindi on various aspects of the poultry supply chain and pricing of poultry products.
18. The materials impounded from the search and inspections and information gathered from Section 33 interviews form an integral part of this enquiry report.

II. ISSUES

19. Based on the above, the following issues have been identified for further deliberation by the enquiry committee:
 - i. Provide an overview of the industry to contextualize any possible violations of Section 4 of the Act.
 - ii. What is the relevant market in terms of Section 2(1)(k) of the Act?
 - iii. Whether hatcheries have acted collusively in respect of fixing the price of day old broiler chicks in *prima facie* violation of Section 4 of the Act?
 - iv. Whether the platform of PPA or any other association is used to fix the prices of eggs and broiler meat in *prima facie* violation of Section 4 of the Act?

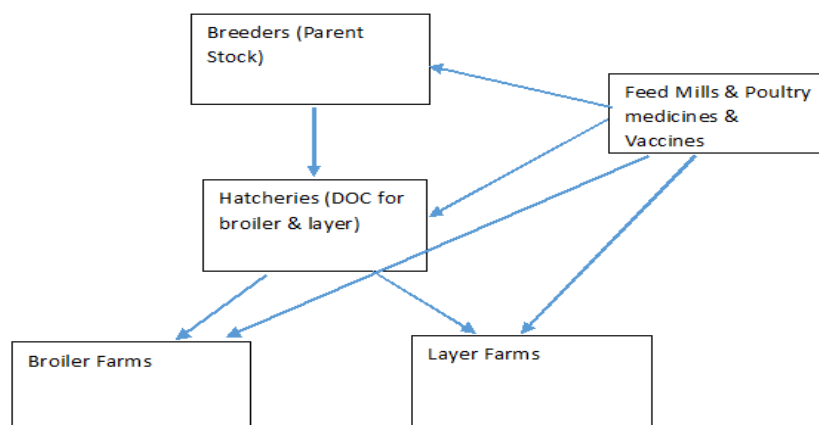
ISSUE – I: OVERVIEW OF THE INDUSTRY

20. The poultry industry of Pakistan is a major livestock sub-sector, playing a pivotal role in economic growth and rural development. Pakistan is the 11th largest producer of poultry products in the world and the current investment in the poultry industry is more than PKR 700 billion with a growth rate of approximately 7.5% per annum. The

industry provides employment (direct/indirect) to over 1.5 million people². The poultry sector comprises of the following various sub-segments:

- a. Import of Grandparent (GP stock);
- b. Breeders: Use grandparent stock strains that come from a pure line to produce parent stock strains which in turn produces eggs for day old chicks.
- c. Hatcheries: Use eggs supplied by breeders to produce day old chicks of different chicken strains that are then used by chicken meat and egg farmers.
- d. Layer farming for production of eggs: These farms raise a breed of chicken known as the layer which is meant for laying eggs for dietary consumption. Only female breeds are farmed.
- e. Broiler farming for production of chicken meat.

21. The other ancillary or allied sectors for poultry production include poultry feed; vaccines and medicines. The poultry supply chain is depicted in the figure below:



22. Poultry farming in Pakistan can be divided into the commercial farming and the traditional rural or backyard system. Almost all rural and about 20% of urban households keep flocks of between 5 and 10 birds, with a cock. Under all kinds of temporary housing arrangements, the birds are let out during day time to scavenge on crop residues and kitchen waste, and are confined to the house at night. The main breeds of native chicken include Desi, Lyallpur Silver Black, Aseel, Fayoumi, Rhode Island Red and crosses. Cockerels and old hens are eventually eaten or sold. Raising poultry

² Pakistan Economic Survey 2020-21

is traditionally women's work, which not only provides eggs and meat for family consumption but also meat for guests.³

23. Commercial poultry on the other hand is of two types: (i) Conventional farming (open sheds) and ;(ii) Environmental or Control farming. Approximately 60% of poultry farming is being carried out conventionally while 40% is based on environmentally controlled sheds. In 2020-21 the total meat production in Pakistan was 4,955 thousand tonnes in which poultry meat production contributed 1,809 thousand tons⁴. Per capita consumption of poultry meat in Pakistan is approximately 6.62 kgs annually⁵.
24. Similarly, egg production was more than 20 billion posting a growth of 5.7% as compared to previous year and the majority of egg production is through commercial farming⁶. The per capita egg consumption in Pakistan is 88 eggs annually⁷.
25. Poultry meat production has increased from 1,518 thousand tonnes in 2018-19 to 1,809 thousand tonnes in 2020-21, translating into an increase of 19 percent over the last three years. The comparative status of production of eggs, beef, mutton and poultry meat for last three years is given in the table below:

Table 1: Estimated Meat & Eggs Production				
Type	Units	2018-19	2019-20	2020-21
Eggs (Commercial & desi)	Million Nos	19,052	20,133	21,285
Beef	000 tons	2,227	2,303	2,380
Mutton	000 tons	732	748	765
Poultry Meat	000 tons	1,518	1,657	1,809
Source: Pakistan Economic Survey 2020-21				

26. The turnover of Pakistan's poultry sector stood at PKR 1,082 billion with an annual growth rate of 10 - 12% in the FY 2019-20⁸. The table below shows that Punjab accounts for the highest share in broiler and layer production in Pakistan with 883 million broilers (69%), 23.12 million layer birds (39%), and 9.84 million (72%) breeding stock respectively.

³ Bano.R.*et al* (2009):An overview of the Pakistan Poultry Sector: PARC, Islamabad.

⁴ Pakistan Economic Survey 2020-21

⁵<https://www.statista.com/statistics/758159/pakistan-poultry-consumption-per-capita/>

⁶ ibid

⁷<https://pakistanpoultry.org/wp-content/uploads/2020/10/AN-OVERVIEW-OF-PAKISTAN-POULTRY-INDUSTRY-2019-2020.pdf>

⁸<https://pakistanpoultrycentral.pk/news/an-overview-of-pakistan-poultry-industry-year-2019-2020/>

Type	Punjab	Pakistan	Share of Punjab (%)
Broilers	883	1,279.76	69
Layer	23.12	59.82	39
Breeding Stock	9.84	13.66	72
Domestic Poultry	39.92	89.84	44
Total Poultry Birds	955.88	1,443.08	66
DOC*	1007.56	1,200	83.9

Source: Pakistan Economic Survey 2019-20, Poultry Research Institute Punjab
*PPA Annual report

27. The poultry sector in Pakistan comprises of a large number of small farmers scattered over different areas. The total number of broiler and layer farms in Punjab alone are 13,865 and 2,300 respectively. As per interviews conducted under Section 33 of the Act from various poultry sector stakeholders and a perusal of the relevant statistics it appears that broiler and egg production is undertaken by a large number of farmers with most farms scattered in terms of location (Refer to table below).

Sr. No.	Division	Broiler/Rural Farms			Layer Farms			Rural Poultry
		No. of Farms	Capacity (Mill.)	Birds Maintained (Mill.)	No. of Farms	Capacity (Mill.)	Birds Maintained (Mill.)	Birds Maintained (Mill.)
1	Bahawalpur	983	36.61	30.57	46	0.79	0.79	4.27
2	D.G. Khan	1016	54.73	52.97	108	0.59	0.54	4.89
3	Faisalabad	2077	111.09	106.11	796	9.99	7.13	6.10
4	Gujranwala	2398	135.12	129.94	323	4.29	3.02	5.20
5	Lahore	1427	102.58	99.44	150	2.87	2.69	6.68
6	Multan	2132	135.50	131.42	199	10.41	2.04	3.91
7	Sahiwal	563	87.30	85.34	194	2.80	1.77	2.29
8	Rawalpindi	2208	99.35	96.08	352	4.67	3.97	3.57
9	Sargodha	714	138.15	133.73	32	0.97	0.78	2.94
10	Islamabad	347	18.47	17.40	100	0.60	0.40	0.07
Total Punjab		13865	918.89	883	2300	37.99	23.12	39.92

Source: Punjab Poultry Research Institute, Rawalpindi

28. In terms of size, broiler farming is undertaken by:

- a. Single independent units is the main model in vogue for broiler farming in the country. These independent units vary in size with smaller units having a capacity of 30,000 to 0.5 million broilers with larger units having a capacity of 0.5 to 1.5 million birds.

- b. Vertically integrated broiler production under contract farming. Under this system the integrator or producer owns a hatchery and a feed plant and contracts broiler farmers to raise broilers from DOC, chicks, feed, medicine, vaccines and arrangements for veterinary supervision of the farm are provided by the integrator and the farmer gets paid a rearing cost for his services.⁹
29. Layer farming is mostly practiced as independent farming or as partially integrated layer production. Major layer producing areas are districts of Central Punjab (Kamalia, Arifwala, Okara, Samundri, Sargodha, and Faisalabad), North Punjab (Chakwal and Rawalpindi) and South of Sindh province (Karachi and Hyderabad)¹⁰. A study estimates that majority of layer farming i.e. 80 to 85% is done by independent layer farmers that purchase layer DOC. Partially integrated units account for the remaining percentage of layer farming. These companies have their own layer breeding farms and hatcheries and sometimes feed mill as well. Two of the companies are also involved in the grading, marketing and distribution of eggs.
30. 80% of DOCs were supplied by 10 to 12 companies ¹¹ most of which are vertically integrated i.e. involved in the import of GP stock, breeding of parent stock, hatching of DOC, meat processing and poultry feed. The remaining 20% of DOC is supplied by independent hatcheries. It is pertinent to mention that the Commission issued a SCN for *prima facie* cartelization by poultry feed companies comprising vertically integrated units¹².
31. The marketing system for broiler products involves two channels: (i) direct and; (ii) indirect channel. Approximately 75 to 80% of broiler is sold through the direct channel and the remaining is sold through indirect channel i.e. *mandi* or live bird market. Under the direct marketing channel, the farmer contacts his brokers (every farmer generally has 6 to 7 brokers with whom he transacts business with) telling them of the availability of broiler chicken for sale and negotiate prices. The supplier or loader who owns the transportation vehicle then supplies the broilers directly to large buyers which includes, wedding halls, traditional butchers (*kasaai*), restaurants and shopkeepers. The broker also has contacts with traders present in the *mandi*. Punjab has 4 main *mandis*: 2 in Lahore (Tollinton and Sheranwala), 1 Faisalabad and 1 Rawalpindi. The traders then

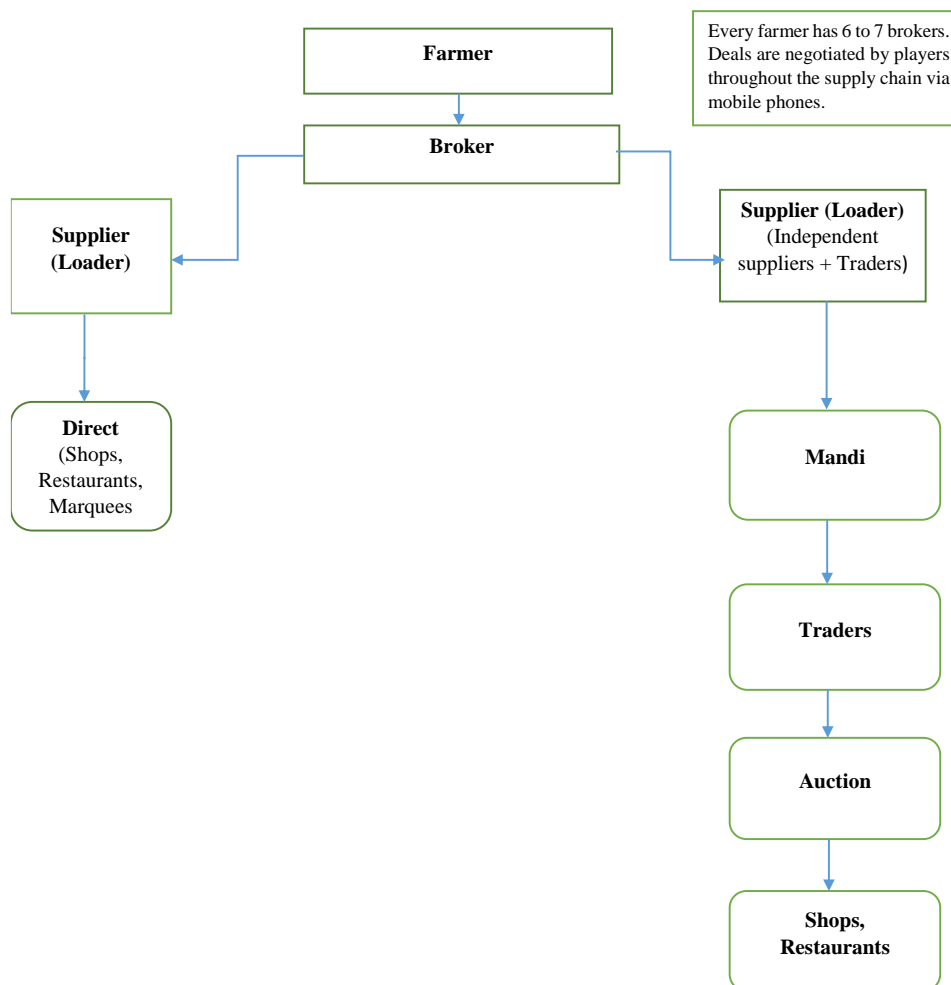
⁹<https://www.bakhabarkissan.com/poultry/>

¹⁰<https://www.frontiersin.org/articles/10.3389/fvets.2020.00361/full>

¹¹<https://www.frontiersin.org/articles/10.3389/fvets.2020.00361/full#T2>

¹² Enquiry in the matter of poultry feed industry 07th May 2021.

sell broilers through open auctions in the mandi. The buyers include shops, marquees and restaurants (see figure below). Some broiler is also supplied to poultry processing units however, the share is small as compared to the other channels.



32. Poultry production is regulated in Punjab under the Punjab Poultry Production Act, 2016 under which it is necessary to register poultry premises to improve quality of poultry products and to ensure bio security measures in poultry operations; and to deal with ancillary matters. Poultry products including eggs, feed, live poultry and poultry meat are contained in Schedule III of the Price Control & Prevention of Profiteering and Hoarding Order 2021. Under this Order, the Director of Industries and the Deputy Commissioners are designated as Controller General of price and supplies. The

Controller General has the power to fix the price of an essential commodity, for a specified period, in the following situations:

- a. *Suo moto* by recording reasons thereof;
 - b. In case of a national emergency;
 - c. On the directions of the Federal Government; or
 - d. On request made by the Chief Secretary of a province.
33. The prices of chicken and eggs for final consumers are fixed by respective district administrations. Like other essential commodities, there is no specified formula for doing so and the practice adopted varies from district to district. (Pricing mechanism is discussed in detail in the analysis sections below).

Costing of Poultry Products

34. As per the calculations obtained from data provided by Poultry Research Institute, Rawalpindi ('PRI'), the total cost of production for broiler per kg live (for July 2021) is Rs. 156.17 and Rs.234.26 per kg meat. The various cost factors in broiler production are given in the table below which shows that poultry feed is the largest contributor having an average share of approximately 68 percent in the total cost of chicken meat (per kg) followed by DOC which on average constitutes about 17 percent of the total cost. The prices of DOC fluctuated throughout the year between the range of Rs.20.46/chick (minimum) to Rs.79.74/chick (maximum) and therefore the share of DOC in the total cost varied accordingly. For instance, if the rate of DOC is Rs.79.74, its share in the total cost per kg of meat goes up to 24.10%. (Refer to **Annex-D** for further details).
35. During the period July 2020 to July 2021, the farmers made an average gain of about Rs.18/kg on meat (this also includes the months where the farmers also incurred losses). On the other hand, the wholesaler charged a margin of Rs. 12/kg (on farm rate) of chicken meat till December, 2020 however this was reduced to Rs.8/kg since January 2021 onwards. The retailer charged a margin of Rs.8/kg (on farm rate) of chicken meat throughout the given span of one year.

Sr.No.	Item Description	Average (%) Share in total cost of Chicken Meat/Kg
1	Day Old Chicks	16.53
2	Total Feed Cost	68.30
3	Litter, Medicine & Vaccine	2.81
4	Return on Investment	1.75
5	Mortality Losses @ 5%	1.75
6	Labour Cost	1.75
7	Farm Rent	4.21
8	Maintenance	0.09
9	Electricity &POL	2.81
Total Percentage		100.00

Source:- Poultry Research Institute, Rawalpindi

36. Keeping in view the aforesaid facts, any change in the price of inputs particularly the poultry feed and DOC will have a direct effect on the prices of chicken meat as discussed earlier that both of the mentioned items constitute approximately 85 percent share combined in the total cost of chicken meat production.
37. For layer production, the average cost per egg during the one year period July 2020 to July 2021 is Rs. 8.99 or Rs. 107.88 per dozen. Averages given in the table below reveal that feed is the major component contributing approximately 76 percent in the total cost of eggs' production. Further the data indicates that during (July 2020 to July 2021), the farmers gained a profit of about Rs.36/ dozen or Rs.3/egg on average. On the other hand, the wholesaler and retailer charged a margin of Rs.3/dozen and Rs.4/dozen respectively.

Sr.	Item Description	Average (%) Share in total cost of egg production/(300)eggs or 25 Dozen
1	Cost of Hen at Point of Lay	16.75
2	Total Feed Cost	75.55
3	Litter, Medicine & Vaccine	0.74
4	Mang, Return on Investment	2.79
5	Labour Cost	1.49
6	Farm Rent	1.12

7	Maintenance	0.07
8	Electricity &POL	1.49
Total Percentage		100.00
<i>Source: -Poultry Research Institute, Rawalpindi</i>		

38. The cost of production for DOC (for December 2020) as calculated by PRI is Rs. 57 per chick which can be broken down into cost factors in the table below which also shows that feed is the major cost component accounting for 64.8% of the total cost.

Sr. No	Input	Inputs (%) share in CoP/DOC
	Description	(%)
1	Bird Cost @ 380/Bird	5.45
2	Feed	64.80
3	Medicine / Vaccine	3.42
4	Electricity & Pol Expenses	6.53
5	Employee Related Expenses	7.40
6	Hatching Eggs Handling, Transportation and Setting Charges	7.70
7	Depreciation on Building, Plant & Equipment	2.30
8	Misc. Expenses	1.09
9	Repair and Maintenance	1.31
Total		100.00
<i>Source:- Poultry Research Institute, Rawalpindi</i>		

39. Prices of poultry products experience fluctuations due to the following factors¹³:

- a. The placement of breeding flock/day old chicks production
- b. Availability of poultry feeding raw materials/ poultry feed prices
- c. Disease incidence/ challenges
- d. Seasonal and other Environmental stresses
- e. Energy and cost of other inputs

40. While demand is subjected to consumption pattern on broiler's market price, season, marriages/festivals, holidays/vacations and other religious occasions. Since, the prices of poultry products are auto regulated by the factors which are neither in control of private poultry farmers nor the public agencies.

¹³Meeting with PRI, Livestock Department & Section 33 interviews.

41. The production of broiler is based on the import of day old chick as grandparent flock, out of which the parent flock is produced as a layer for hatching the broiler chick. As per estimates of the livestock department this entire cycle takes 1.5 to 2 years. The Covid-19 pandemic and the resultant lockdowns had a negative impact on the supply chain as GP stock could not be imported. The supply and demand and market dynamics will take some time to adjust.
42. Based on the findings of paragraphs 20 to 41, the key points from the sector overview of poultry are:
- a. The poultry supply chain comprises of import of GP stock, breeding of parent stock, hatching of day old chicks, layer farming, and broiler farming. Poultry feed, vaccines, and medicines are its ancillary or allied sectors.
 - b. Broiler and layer production in Pakistan comprises of a large number of small farmers scattered over different areas. The total number of broiler and layer farms in Punjab alone are 13,865 and 2,300 respectively. Majority of production in both layer and broiler farming is undertaken by independent farmers.
 - c. 80% of DOCs were supplied by 10 to 12 companies most of which are vertically integrated i.e. involved in the import of GP stock, breeding of parent stock, hatching of DOC, meat processing and poultry feed. The remaining 20% of DOC is supplied by independent hatcheries.
 - d. Average cost of broiler is Rs.247.57 for per kg meat. The major cost components included poultry feed 68% and DOC 17% which increased to 24.10% when prices of DOC rose to Rs.79.74. During the period July 2020 to July 2021, farmers made an average profit of Rs.18 per kg. The margin of the wholesaler was Rs. 12 which fell to Rs. 8 and the retailer had a fixed margin of Rs. 8.
 - e. The average cost per egg is Rs. 8.99 or Rs. 107.88 per dozen. Feed is the major component contributing approximately 76 % in the total cost. The wholesaler and retailer charged a margin of Rs.3/dozen and Rs.4/dozen respectively.
 - f. The cost of production for DOC is Rs. 57 per chick with feed the major cost component comprising 64.80% of total cost.

ISSUE – II: WHAT IS THE RELEVANT MARKET IN TERMS OF SECTION 2(1)(k) OF THE ACT?

43. For the purpose of defining relevant market under this enquiry, we refer to the relevant market as defined under Section 2(1)(k) of the Act.

“Relevant market means the market which shall be determined by the Commission with reference to a product market and a geographic market and a product market comprises of all those products or services which are regarded as interchangeable or substitutable by the consumers by reason of the products’ characteristics, prices and intended uses. A geographic market comprises the area in which the undertakings concerned are involved in the supply of products or services and in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighboring geographic areas because, in particular, the conditions of the Competition are appreciably different in those areas;”

44. The poultry supply chain comprises of different products which includes broiler meat, eggs, DOC, GP and PS production, poultry feed and medicines. Therefore, based on the parameters identified in the definition above, the enquiry committee defines three different types of relevant market: meat, eggs and DOC.

45. In terms of product characteristics, chicken falls under the category of white meat which in terms of usage may be substituted with other types of white meat such as fish or red meat such as mutton and beef. On average each Pakistani citizen consumes 6.62 kgs of poultry meat per annum¹⁴. In terms of price, mutton and beef are priced higher than chicken with mutton retailing at Rs. 1,131 per kg, beef (with bone) at Rs. 558 as compared to chicken Rs.256 per kg¹⁵ and therefore, cannot be considered as substitutes. The availability of fish on the other hand is limited and restricted to only the winter months. Within the category of poultry meat *desi* (organic) chicken may be regarded as substitutable however, production of such chicken is limited, with data suggesting that *desi* birds number 39.92 million as compared to 883 million broiler birds in Punjab¹⁶. The price of *desi* birds varies however, they are generally more expensive. *Desi*

¹⁴See footnote 5

¹⁵ October 2021 Pakistan Bureau of Statistics
https://www.pbs.gov.pk/sites/default/files//cpi_spi_%20annex_oct_2021.pdf.pdf

¹⁶<https://poultry.punjab.gov.pk/system/files/Poultry%20Status%202019-20.pdf>

chickens have also lesser meat ratio and therefore broiler chickens are preferred for their higher yield of meat at cheaper rates.

46. As per consumer preference in Pakistan, chicken is purchased live, slaughtered and cut into pieces in poultry shop at the retail level. Frozen chicken is also available under different brand names such as K&N's, Menu, Sabroso and Big Bird however, they cannot be considered as substitutable due to consumer preference for purchasing live birds and the price point. For example, K&N's 1kg frozen *karahi* cut retails for Rs.622¹⁷ whereas, purchased live at Rs. 250 per kg and a 2kg live weight bird would cost Rs.500. Therefore, the relevant product market appears to be that of broiler chicken sold live.
47. In terms of geographic location, there are around 15,000 broiler farms located across the country varying in capacity from 5000 to 500,000 broilers¹⁸. Broiler production is concentrated mainly in Punjab due to many reasons including favourable climatic conditions thus makes it suitable for commercial poultry rearing. Better road networks have meant that broiler and eggs can be transported inter-provincially with ease. Rawalpindi division for example is the hub for supply to KPK and the northern areas. Generally, poultry prices are higher in KPK and Sindh than the rest of the country which is on account of transportation cost. Therefore the relevant geographic market appears to be the whole of Pakistan and the relevant market is *prima facie* the market for broiler chicken (live) in the whole of Pakistan.
48. Similarly for eggs, the per capita consumption for Pakistan stands at 88 eggs per annum¹⁹. The only available substitute for commercially farmed eggs are desi eggs which as is the case with *desi* chicken, are limited in availability and are priced higher. In recent years, some large companies such as SB have introduced branded and packaged eggs, however, these account for less than 5% of total consumption and the vast majority are still sold in the traditional way²⁰. In terms of price, packaged eggs cost approximately Rs. 225 per dozen pack and unpackaged eggs cost Rs. 172 per dozen²¹ and the two can be considered as substitutable. Therefore the relevant product market appears to be commercially farmed eggs (packaged and unpackaged). In terms of relevant geographic market as with broiler, eggs production is concentrated in Punjab

¹⁷<https://shopsy.pk/kns-chicken>

¹⁸Pakistan Poultry Association <https://pakistanpoultrycentral.pk/poultry-status/>

¹⁹See footnote 7

²⁰Section 33 interview with egg broker

²¹SB eggs at Naheed Supermarket and tradition egg prices from PBS.

however, eggs can be transported freely within the provinces. Eggs produced in one province/area are substitutable with those produced in another province/area. Generally, egg prices are higher in KPK and Sindh than the rest of the country which is on account of transportation cost. Therefore, the relevant market appears to be the market for commercially produced eggs (packaged and unpackaged) all over Pakistan.

49. Poultry hatcheries produce a majority of the birds consumed in the developed world including chickens, turkeys, ducks, geese, and some other minor bird species. Highly regimented production systems used to maximize bird size or egg production versus feed consumed. Generally large numbers are produced at one time so the resulting birds are uniform in size and can be harvested (for meat) or brought into production (for eggs) at the same time. A large hatchery produces about 15 million chicks annually. DOC are placed by farmers to rear broiler hens²². In Pakistan the total annual broiler parent stock placement in 2020-2021 was 12 million and total DOC production in Pakistan was 1.20 billion²³. DOCs are obtained from the eggs laid by the healthy parent flocks of different breeds i.e. Hubbard, Cobb, Arbor Acres and Ross. Although Ross is the best performing breed, the DOC of all these four breeds are interchangeable. It is noted that DOC for broiler are different from layer producing breeds, therefore, the relevant product market is that for day old broiler chicks.
50. 80% of all DOCs are supplied by 10 to 12 companies who are integrated units i.e. involved in breeding of parent stock and owning feed mills as well. The rest (20%) is supplied by smaller independent units. Hatcheries can be found across Pakistan however, the largest concentration is in Punjab. According to PRI Rawalpindi, Lahore, Faisalabad and Multan are the main hubs of hatcheries where around 80% are located. Since hatcheries and breeders are complementary for one another, hence the above cited areas may also be considered the main locations for breeders. 80% of DOCs were supplied by 10 to 12 companies²⁴ most of which are vertically integrated i.e. involved in the import of GP stock, breeding of parent stock, hatching of DOC, meat processing and poultry feed. The remaining 20% of DOC is supplied by independent hatcheries. It is pertinent to mention that the Commission issued a SCN for *prima facie* cartelization by the poultry feed companies comprising vertically integrated units. As per PRI, in

²²Poultry Research Institute <https://poultry.punjab.gov.pk/hatcheries>

²³PPA Annual Report <https://pakistanpoultrycentral.pk/wp-content/uploads/2021/10/Annual-Report-2021-PDF.pdf>

²⁴<https://www.frontiersin.org/articles/10.3389/fvets.2020.00361/full#T2>

2019-20, the number of hatcheries in Punjab was 110 with a capacity of 1,050 million chicks per annum²⁵. As observed by the enquiry committee, the prices of DOC are same throughout northern Punjab however, prices in Multan and Karachi prices are higher by Rs.1 to Rs.1.5 per chick on account of transportation. DOCs are transported in special vehicles from hatcheries to farms located all over Pakistan. DOC is also exported by large hatcheries. The data on capacity of hatcheries is not available for specifically broiler DOC however, from available information (Punjab only) the following shares are estimated:

Sr.No.	Name of Company	No. of Hatcheries	Total Production	Total Capacity (Punjab)- DOC/Annum (Million)	Market Share of the Company (%)
			Capacity of each company DOC/Annum (Million)		
1	Big Birds/Big Bird Pvt Ltd	3	78.3	1,025.08	7.64%
2	Hi-Tech Poultry Breeder/Hitech Hatchery Bhatar	2	43.2		4.21%
3	Islamabad Chicks	2	56.4		5.5%
4	Jadeed Hatcheries/Jadeed Chicks	3	110.4		10.77%
5	Olympia Chicks/Olympia Hatcheris	2	41.84		4.08%
6	Sabir Hatcheries/ Sabir's Poultry	2	55.6		5.42%
7	SB Chicks	2	100.8		9.83%
8	Supreme Hatcheries	1	42		4.1%
Total Punjab			528.54	1,025.08	51.56%

Source: PRI Rawalpindi

51. Since DOC can move easily between provinces and DOC produced in one area are substitutable with those produced in other areas the relevant market appears to be that of day old broiler chicks produced and sold throughout Pakistan.

52. In terms of spill over effect it is noted that poultry products are produced all over Pakistan with Punjab being a surplus region. DOC, broiler chicken and eggs move from Punjab to KPK, Sindh, Balochistan and GB. DOC can be considered as an intermediary product along the poultry supply chain used for broiler production. Not only does DOC

²⁵<https://poultry.punjab.gov.pk/system/files/Poultry%20Status%202019-20.pdf>

move from Punjab to other provinces it is an important input for broiler meat which also moves between provinces. Based on interviews with relevant stakeholders it appears that DOC, broiler and eggs are easily transported long distances in part due to a better road network and better transportation vehicles. It is observed that chicken and eggs are not only used on their own by households but are also used by other sectors such as food processing, bakeries, biscuit and confectioners. These products once packaged are sold throughout the country. Therefore, any anti-competitive activity would have a spill over effect throughout Pakistan, hence the requirements of spill over effect are satisfied.

53. Based on the findings of paragraphs 43 to 51, the following three relevant markets are *prima facie*:

- a. The market for broiler meat produced and sold live all over Pakistan;
- b. The market for commercially produced and sold eggs all over Pakistan.
- c. The market for day old broiler chicks produced and sold throughout Pakistan.

Undertakings

54. The following companies are engaged in the production, supply and sale in the relevant market of DOCs and are therefore undertakings in terms of Section 2(1)(q) of the Act for purposes of this enquiry:

Table 8 : List of Undertakings	
Sr. No.	Companies producing/selling Day Old Chicks
1	Sadiq Poultry (Pvt.) Ltd
2	Hi-Tech Group
3	Islamabad Group of Companies
4	Olympia Group
5	Jadeed group of companies
6	Supreme Farms-(Seasons Group)
7	Big Bird Group
8	Sabir's Group of companies

55. **Sadiq Poultry (Pvt.) Ltd-(‘Sadiq Poultry’)** was incorporated in September, 2004 as a private limited company and is engaged in the production, supply, distribution and marketing of various products including but not limited to DOCs, poultry feed etc.²⁶ As per data provided by the PRI, the company owns two hatcheries ("SB Chicks") with a production capacity of about 100.8 million DOCs/annum. The company is therefore an

²⁶<https://sadiqpoultry.com/>

undertaking in terms of Section 2(1)(q) of the Act. Sadiq Poultry (Pvt) Limited and Sadiq Poultry Farms (Pvt) Limited are enrolled members of PPA²⁷.

56. **Hi-Tech Poultry Breeder (Pvt.) Ltd -(Hi-Tech Group)** was established in 1985 with few poultry breeders. The company holds a major share in the DOC sector of Pakistan²⁸. As per data provided by the PRI, the company owns two hatcheries ("Hi-Tech poultry breeder and Hi-Tech hatchery) with a production capacity of about 43.2 million DOCs/annum. The company is thus engaged in the production, supply, distribution and marketing of DOC along with other products including but not limited to poultry feed and therefore an undertaking in the terms of Section 2(1)(q) of the Act. Hi-tech Poultry Breeders (Pvt) Limited, Hi-tech Feeds (Pvt) Limited, Hi-tech Farms and Hi-tech Pharmaceuticals are members of PPA²⁹.

57. **Islamabad Group** is a vertically integrated business, with its supply chain flowing from breeding to hatching to growing to enriching. This includes manufacturing of poultry feed, hatching of eggs and housing day old chicks.³⁰. As per data provided by the PRI, the company (Islamabad group) own two hatcheries (" Islamabad Chicks) with a production capacity of about 56.4 million DOCs/annum. The company or group thus involved in the production, supply, distribution and marketing of aforesaid products including DOC and therefore an undertaking in terms of Section 2(1)(q) of the Act. Islamabad Feeds (Pvt) and Islamabad Farms are members of PPA³¹.

58. **Olympia Group-("Olympia")** is a business conglomerate with a portfolio that contains poultry, chemicals, edible oil extraction etc. The poultry segment of Olympia comprises the items such as poultry processing plants, poultry feed and poultry farms (broiler breeder farms, hatcheries & broiler raising farms)³². As per data provided by the PRI, Olympia owns two hatcheries ("Olympia Chicks & Olympia hatcheries") with a production capacity of about 41.84 million DOCs/annum. The Olympia group is thus engaged in the production, supply, distribution and marketing of various products

²⁷ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

²⁸ <http://hitechgroup.pk/>

²⁹ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

³⁰ <https://islamabadgroup.com/>

³¹ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

³² <https://www.olympia.pk/>

including DOC and therefore an undertaking in terms of Section 2(1)(q) of the Act. Olypmia Poultry Farms is a member of PPA³³.

59. **Jadeed Group** currently comprising of two companies i.e. Jadeed Feeds Industries (Pvt.) Ltd and Jadeed Oil Extraction (Pvt.) Ltd incorporated as a limited liability under Companies Ordinance 1984. The Jadeed Feeds Industries (Pvt.) Ltd. is engaged in manufacturing and selling variants of poultry feed, along with breeding grandparent stock (Ross -308) and selling poultry breeding stock and DOCs³⁴. As per data provided by the PRI, the Jadeed Group owns three hatcheries ("Jadeed hatcheries and Jadeed Chicks") with a production capacity of about 110.4 million DOCs/annum. The Jadeed Group is thus involved in the production, supply, distribution and marketing of various products including DOC and therefore undertaking in terms of Section 2(1)(q) of the Act. Jadeed Farms (Pvt) Limited, Jadeed GP Farms (Pvt) Limited and Jadeed Feeds Industries (Pvt) Limited are members of PPA³⁵.
60. **Supreme Farms** belongs to the Seasons Group- which comprises certain companies and various products including but not limited to day old chicks (Supreme Farms) and poultry feed (National Feed, Supreme feed).³⁶ As per data provided by the PRI, Supreme Farms owns one hatchery (Supreme hatcheries) with a production capacity of about 42 million DOCs/annum. The Supreme farms (the Season Group) is thus involved in the production, supply, distribution and marketing of various products including DOC and therefore an undertaking in terms of Section 2(1)(q) of the Act. Supreme Farms (Pvt) Limited and Supreme Feeds (Pvt) Limited are members of PPA³⁷.
61. **Big Bird Group** has a business portfolio including parent stock, day old chicks (both parent stock & broiler), poultry and stock feed, and diagnostic/lab and also the processed food. Big Bird Poultry Breeder (Pvt.) Ltd is the pioneer company of the group incorporated in September, 1985 and has a number of poultry breeding farms and hatcheries to produce day old broiler chicks. It is also active in the export of hatching eggs and day old chicks.³⁸ PRI's data shows that the Big Bird owns three hatcheries

³³ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

³⁴ <https://www.jadeedgroup.com/>

³⁵ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

³⁶ <https://www.seasonsgroup.com.pk/> & <http://supreme.com.pk/demo/final/company.html>

³⁷ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

³⁸ <https://www.bigbirdgroup.com.pk/>

with a production capacity of about 78.3 million DOCs/annum. The Big Bird group is thus engaged in the production, supply, distribution and marketing of various product/services including DOC and therefore an undertaking in terms of Section 2(1)(q) of the Act. Big Bird Poultry Breeders (Pvt) Limited and Big Bird Foods (Pvt) Limited are enrolled members of PPA³⁹.

62. **Sabirs' Group** is one of the biggest companies in Pakistan's poultry market and started its business in 1984 with the name of Sabir's Poultry (Pvt.) Ltd. Sabirs' Group has developed into a vertically integrated business operating breeder farms, hatcheries, feed mills, broiler farms and poultry processing facility and recently launched a new brand for its poultry products -Sabroso⁴⁰. As per data provided by PRI, Sabirs' Group owns two hatcheries (Sabir Hatcheries and Sabir's poultry) with a production capacity of about 55.6 million DOCs/annum. The said group is thus engaged in the production, supply, distribution and marketing of various products including DOC and therefore, and undertaking in terms of Section 2(1)(q) of the Act. 2 companies from this group i.e. Multan Feeds and Shahzor Feeds (Pvt) Limited are members of PPA⁴¹.

63. **Pakistan Poultry Association (PPA)** is a trade association comprising of various undertakings involved in the entire poultry supply chain. As per the Memorandum of Association one of the aims of PPA is to: *“provide facilities for and foster, encourage, secure and maintain good and closer relationship and unanimity among members and the trade in general and to promote and protect their business interests and to do all that is necessary for the furtherance and development of poultry farming and allied trade in Pakistan”*⁴².

64. PPA's Articles of Association allows different classes of membership for companies as well as individuals involved in poultry farming, manufacturing of poultry feed and other poultry related/allied products. Clause 5(c) also allows ordinary poultry farmers and traders to be eligible for registration as Poultry Associate who do not have voting rights.

65. PPA's organizational structure includes:

- a. One Chairman;

³⁹ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

⁴⁰ <https://zootecnicainternational.com/news/sabirs-group-lahore-pakistan-chooses-smartpro-pas-reform-new-single-stage-hatchery/>

⁴¹ <https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

⁴² PPA website <https://pakistanpoultrycentral.pk/about-us/>

- b. One Senior Vice Chairman;
- c. Vice chairmen;
- d. Executive Committee comprising of 10 members from the corporate class and 10 members from the Associate class and 02 seats of executive reserved for women members.
- e. General Body consisting of all members of the Association eligible for voting.
- f. Secretary General of the Association and other paid employees as may be necessary.

The Executive Committee is the governing body of PPA and it may appoint standing and/or sub-committees or other committees or assign members of general body for specific purposes and special duties and shall formulate their terms of reference etc. The total number of enrolled members of PPA is 176⁴³. Since PPA comprises of undertakings involved in the poultry supply chain it falls within the definition of undertaking in terms of Section 2(1)(q) of the Act.

66. **Broilers Farmers Association (BFA)** is an association based in Punjab with membership comprising mainly of poultry farmers. As per industry sources, it has various district committee throughout Punjab. Since BFA's members comprise of farmers involved in the poultry business, BFA is an undertaking in terms of Section 2(1)(q) of the Act.

III. ANALYSIS

ISSUE – III: WHETHER HATCHERIES HAVE ACTED COLLUSIVELY IN RESPECT OF FIXING THE PRICE OF DAY OLD BROILER CHICKS IN PRIMA FACIE VIOLATION OF SECTION 4 OF THE ACT?

67. Section 4 of the Act defines a prohibited activity as follows:

“Prohibited agreements-.— (1) No undertaking or association of undertakings shall enter into any agreement or, in the case of an association of undertakings, shall make a decision in respect of the production, supply, distribution, acquisition or control of goods or the provision of services which have the object or effect of preventing, restricting or reducing competition within the relevant market unless exempted under section 5.

(2)Such agreements include but are not limited to-

⁴³<https://pakistanpoultrycentral.pk/activities/detail-of-enrolled-members-of-pakistan-poultry-association-northern-zone-2018-2019/>

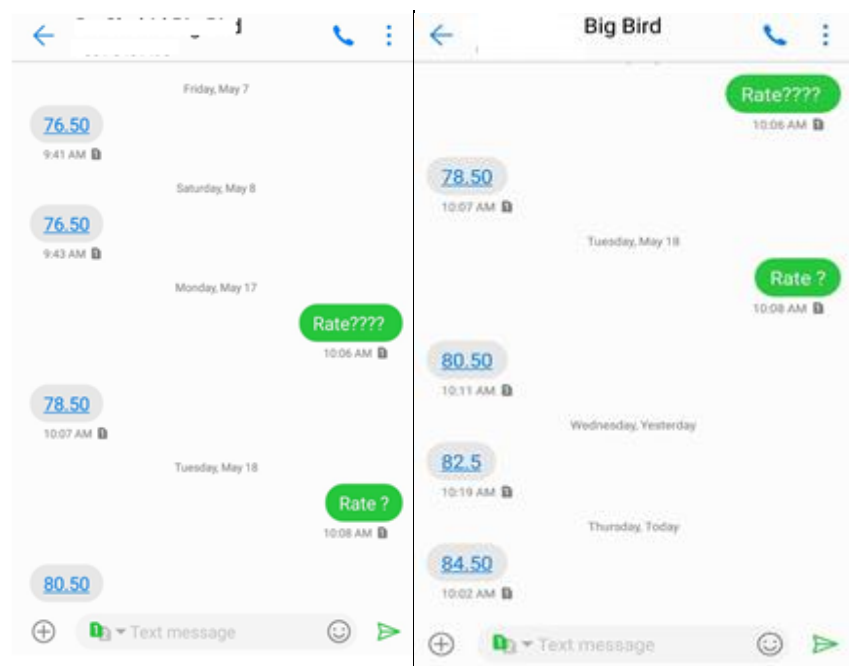
(a) fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods or the provision of any service”;

68. The Act prohibits any agreement between undertakings which may have the object and effect of restricting, distorting or preventing competition within the relevant market and in terms of the non-exhaustive list of provisions provided for under Section 4 (2) of the Act. The term “agreement” is defined in Section 2(1)(b) of the Act as including:

“any arrangement, understanding or practice, whether or not it is in writing or intended to be legally enforceable”.

The application of Section 4 of the Act is therefore, not limited to formal legal contracts, but also includes agreements cooperation and/or arrangements achieved through informal agreements, understandings, circulars or practices. This enquiry examines the facts pertinent to the relevant market for DOC in the paragraphs below.

69. Complaints received through the PM Portal had pointed that prices of DOC were uniform by all the companies. An individual involved in the poultry supply chain was contacted via telephone who had informed that companies producing DOC collectively decided (‘mushtarka’) rate of DOC. The rate is uniform for all the companies and is communicated through text messages by an official of Big Bird Group. He further stated the rate was same for Punjab but varied for Multan and Karachi (due to transportation charges). To back up his claim, he provided screenshots of the messages containing DOC rates sent by the official of Big Bird to him which are hereunder:



70. In order to ascertain the veracity of these claims, rates quoted in the abovementioned text messages were cross checked through a company's website called Agbro (Agrarian Brothers Group), one of the poultry companies also involved in the breeding, hatching and feed milling. Daily rates of day old chicks as shown on the website of Agbro⁴⁴ shows that the rates announced by the official of BBG are actually implemented. On 07.05.2021 the rate is Rs. 76.5, on 08.05.2021 it is Rs. 76.5. The same rate prevails over the Eid holidays (13 - 15th May) and then on 17.05.2021 the rate is Rs.78.5. On 18.05.2021, 19.05.2021 and 20.05.2021 the rates were Rs. 80.5, Rs.82.5 and Rs.84.5 respectively. No rate is announced on Sunday as can be seen from the abovementioned chat and the website of Agbro⁴⁵.
71. Subsequent to the initiation of the enquiry, two companies producing day old chicks i.e. Islamabad Group and Big Bird Group, were contacted telephonically by the enquiry committee for the rates of day old chicks. Representatives of both companies quoted the same price per chick and further informed that the prices were the same for all the companies and the same could be checked from the market. It was also noted that prices for north and central Punjab were the same and then freight factor of Rs. 1 was added for Multan region onwards.
72. Furthermore, the search and inspection of the premises of PPA and BBG reveals more *prima facie* evidence of collective decision and communication of prices of day old chick with officials from BBG playing a lead role. One of the documents impounded from the premises of PPA as well as BBG is a letter dated 14th October, 2020 from Regional Secretary PPA [REDACTED] to [REDACTED] Chairman PPA North Zone (who is official of Big Feed, part of BBG) informing him about his nomination as Convener Standing Committee for Hatchery Affairs for the year 2020-21 and reads as:
- “Dear Sir,*
- I am pleased to inform you that [REDACTED], Vice Chairman, Pakistan Poultry Association (Northern Region) has nominated you as Convener Standing Committee for Hatchery Affairs for the year 2020-2021.*

⁴⁴ For the purpose of obtaining market information only

⁴⁵ Market information obtained from <https://www.agbro.com/>

2. *It is hoped that the Standing Committee will perform its responsibilities in an excellent way. I would be most grateful if you could kindly constitute your committee consisting of Co-Convenor and 2-3 Members as soon as possible and intimate the names of the Co-Convenor and Members to this office along with your consent. It is pertinent to mention here that all members should be registered member of PPA.*

3. *You are requested to please send your consent to act as Convenor of the above mentioned committee.”(Annex-E)*

73. As mentioned in the sector review above, day old broiler chicks are grown to become broiler chickens that are sold for their meat. These day old chicks are produced by hatcheries from parent stock. As per interviews conducted under Section 33 of various stakeholders in the poultry supply chain, there are a few large hatcheries that dominate the market and most of these units are also vertically integrated producing feed and parent stock production as well as poultry processing. These players are identified as follows:

- a. SB Group;
- b. Big Bird Group;
- c. Olympia Group;
- d. Supreme Chicks (part of National and Supreme group-Seasons Group)
- e. Sabir’s Group;
- f. Jadeed Group;
- g. Hi-tech; and
- h. Islamabad Group

74. DOCs are produced by placing the eggs in machines until they hatch. As per the statement of the official of BBG, each machine has a capacity of producing 115,000 of chicks and the average hatching time is 21 days.

75. Handheld device of official, impounded from the premises of PPA Lahore reveals the presence of a WhatsApp group named “Chick Rate Announcement” created in January 2021. The Group’s admin is an official of Big Bird Group with the following participants:

Sr. No	Name	Company Name	Mobile No.
1	██████████	Big Bird Group (Admin)	██████████

2		PPA	
3			
4			
5		Big Bird Group (Islamabad)	
6		Big Bird Group (Faisalabad)	
7		Islamabad Feeds	
8		Managing Director Big Bird Group	
9		Big Bird Poultry Breeders	
10			
11		Big Bird Group Hatchery	
12			
13		Big Bird Group	
14			
15		Big Bird Group	
16		Pakistan Poultry Update	
17		Big Bird Group	
18		Olympia Group	
19			
20		Big Bird Group	

76. The chat record of the aforementioned WhatsApp group shows that [REDACTED] from BBG shares rates of various poultry items including Day Old Broiler Chicks on a daily basis. Since the group was created, the first such message was sent by the official of BBG on 25th January 2021 and the last such message was sent by him on 17th May 2021. Rates are shared by the same official of BBG on the group approximately 86 times during this period. Since the data on messages is voluminous it is attached in its entirety in **Annex E-1** to the ER however, a sample of the messages is reproduced below.

77. The first such message is sent by [REDACTED] on 25.01.2021.

To: CHICK RATE ANNOUCEMENT [REDACTED] B ig Birds [REDACTED]

25-JAN-2021 Chicks Rate Announcement 38.50 Market Lhr 165 Market Fsd 175 Market Rwp 165 Br Farms Rates Lhr168 Fsd170 Rwp165 Srg165 Guj165 Oka168 Swl170 Ryk182 Mul170 Kri196

26-JAN-2021 Chicks Rate 40.50 Market Lhr 170 Market Fsd 165 Market Rwp 170 Br Farms Rates Lhr166 Fsd166 Rwp165 Srg165 Guj165 Oka166 Swl167 Ryk176 Mul163 Kri198

01-FEB-2021 Chicks Rate 51.50 Market Lhr 175 Market Fsd 175 Market Rwp 177 Br Farms Rates Lhr178 Fsd175 Rwp170 Srg170 Guj175 Oka178 Swl174 Ryk177 Mul165 Kri182

15-FEB-2021 Chicks Rate 60.50 Market Lhr 205 Market Fsd 205 Market Rwp 202 Br Farms Rates Lhr200 Fsd205 Rwp195 Srg195 Guj200 Oka200 Swl205 Ryk217 Mul210 Kri224

01-MAR-2021 Chicks Rate 70.50 Market Lhr 215 Market Fsd 225 Market Rwp 220 Br Farms Rates Lhr218 Fsd225 Rwp220 Srg220 Guj218 Oka218 Swl225 Ryk236 Mul225 Kri256

15-MAR-2021 Chicks Rate 48.50 Market Lhr 165 Market Fsd 180 Market Rwp 170 Br Farm Rates Lhr170 Rwp177 Fsd183 Srg170 Guj172 Oka170 Swl182 Ryk192 Mul185 Kri240

01-APR-2021 Chicks Rate 78.50 Market Lhr 212 Market Fsd 213 Market Rwp 222 Br Farms Rates Lhr202 Fsd205 Rwp200 Srg200 Guj195 Oka202 Swl205 Ryk210 Mul197 Kri220

15-APR-2021 Chicks Rate 74.50 Market Lhr 234 Market Fsd 240 Market Rwp 240 Br Farms Rates Lhr226 Fsd232 Rwp230 Srg230 Guj227 Oka226 Swl226 Ryk234 Mul222 Kri266

03-MAY-2021 Chicks Rate 74.50 Market Lhr 250 Market Fsd 250 Market Rwp 255 Br Farm Rates Lhr242 Fsd245 Rwp240 Srg240 Guj240 Oka242 Swl245 Ryk244 Mul235 Kri270

08-MAY-2021 Chicks Rate 76.50 Market Lhr 272 Market Fsd 268 Market Rwp 272 Br Farm Rates Lhr260 Fsd262 Rwp255 Srg258 Guj257 Oka260 Swl263 Ryk272 Mul260 Kri284

78. From the data it is observed that, one rate for day old chicks is conveyed and the broiler market and farm rates for various cities in Punjab as well as Karachi are shared. The rates are shared on a daily basis (except for Sundays) and the time at which the rate is shared is also the same i.e. 10:00 to 10:30 PST (UTC+5). The prices of DOC are shared along with the market rate and farm rate of broiler in the major markets. This is explained by the fact that when broiler rates are on an upward trend it means that the farmer is making a profit and so he will be in a position to place more flocks hence the demand for DOC will rise which means that price increase can be announced. Inversely, if broiler prices are showing a bearish trend it means that the farmer is making losses and will not be in a position to place more flocks hence reducing the demand for DOC signaling to hatcheries that prices will have to be reduced.

79. During the Search & Inspection of the premises of BBG, one of the handheld computer devices of [REDACTED] was impounded, the forensic analysis of which shows that the said official is not merely conveying the rates on behalf of the hatcheries but that there is also a discussion between officials regarding the fixation of rates of day old chicks. The rates are discussed and conveyed primarily via SMS.

80. Forensic analysis of handheld computer device of BBG official reveals various instances where rates of day old broiler chicks are discussed or conveyed to other hatcheries like Sabir's Group, Olympia Group Supreme, SB Group, Islamabad Group, Jadeed Group and Hi tech Group. The enquiry committee also recorded the statement

of official of BBG wherein he was asked to identify and verify the companies and persons to which he was discussing rates of DOC. (Statement of official placed at **Annex E-2**)

Collective Sharing of DOC Rates

81. Every morning the official from BBG shares rates of day old chicks with officials from other hatcheries⁴⁶. Some of the SMS' are reproduced below (refer to **Annex E-3** for details)

7/27/2019

10:10:19

To:

██████████ Olympia ██████████

██████████ ██████████ Sabir

██████████ Hi-tech

██████████ 2 Asif SB Group (Sadiq Poultry)

Aoa 1 rupees increase

8/5/2019

3:18:38 PM

To:

██████████ Olympia ██████████

██████████ Hi-Tech

██████████ ██████████ Sabir

██████████ 2 Asif SB Group

Aoa Subha INSHALLAH 40.50

8/22/2019

10:07:04

To:

██████████ Olympia ██████████

██████████ sb Sabir

⁴⁶ It is noted that ██████████ was an employee of Hi-tech Group until January 2021 and has subsequently joined Supreme. The said official was contacted telephonically and confirmed the same. It was also confirmed through the Section 33 Statement of BBG official. It is also noted that the numbers were cross matched with the contact names in the respective handheld device, cross checked with PTA and details of some contacts were identified through Section 33 interviews.

[REDACTED] Hi-Tech-[REDACTED]

Aoa Same announcement 51.50

9/7/2019

10:03:03

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] [REDACTED] Sabir

[REDACTED] Hi-Tech

Aoa same announcement

9/19/2019

10:06:55

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] Sabir

[REDACTED] Hi tech

[REDACTED] 2 Asif SB Group

Aoa Same announcement 58.50

2/8/2020

9:59:17

To:

[REDACTED] Khursheed Sb

[REDACTED] Supreme [REDACTED]

[REDACTED] Sabir

[REDACTED] 2 Asif SB Group

Aoa Same announcement 36.50

2/15/2020

10:01:23

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] Supreme [REDACTED]

[REDACTED] [REDACTED] Sabir

[REDACTED] SB Group

Aoa Same Announcement

2/21/2020

10:06:03

[REDACTED] Olympia [REDACTED]

[REDACTED] [REDACTED] Hi tech

[REDACTED] Sabir

[REDACTED] 2 Asif SB Group

[REDACTED] Sb

Aoa Same announce 33.50

2/22/2020

10:08:38

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] Hi tech

[REDACTED] Sabir

[REDACTED] 2 Asif SB Group

Aoa Same announce 33.5

3/21/2020

10:24:00

To:

[REDACTED] Islamabad Group

[REDACTED] Jadeed

[REDACTED] Olympia
[REDACTED] Hafeez Hi tech
[REDACTED] SB
[REDACTED] Sabirs

Chicks Rate 8.50

3/24/2020

10:05:48

To:

[REDACTED] Olympia [REDACTED]
[REDACTED] - Hi- Tech
[REDACTED] Sabir

03225757237 SB Group

Aoa Same announcement 8.50

4/4/2020

10:14:48

To:

[REDACTED] Olympia [REDACTED]
[REDACTED] Supreme [REDACTED]
[REDACTED] Sabir
[REDACTED] SB Group

Aoa Same announce

4/6/2020

10:07:18

To:

[REDACTED] Olympia [REDACTED]
[REDACTED] Supreme [REDACTED]
[REDACTED] Sabir
[REDACTED] 2 Asif SBGroup

Aoa Same announcement 14.50

4/9/2020

10:05:31

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] Hi tech

[REDACTED] Sabir

[REDACTED] 2 Asif SB Group

Aoa Same announce 10.50

4/10/2020

10:05:30

To:

[REDACTED]

[REDACTED] Hi tech

[REDACTED] Sabir

[REDACTED] 2 Asif SB Group

Aoa Same announce 10.50

4/20/2020

10:29:32

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] Hi tech

[REDACTED] Sabir

[REDACTED] 2 Asif SB Group

Aoa Same announcement 21.50

4/25/2020

10:05:13

To:

[REDACTED] Olympia [REDACTED]

[REDACTED] Hi tech

[REDACTED] Sabir

Aoa Same announcement 20.50

82. It is pertinent to mention that the rates announced are actually implemented as can be seen from the rates of day old chicks obtained from the website Agbro;

Date	Rate announced on SMS	Agbro
27.7.2019	Rs.1 increase.	Rs. 29.5 Previous rate on Friday 26.7.2019 was Rs.28.5 with Rs. 1 increase rate should be Rs.29.5
5.8.2019	Tomorrow (i.e. 6.8.2019) Rs. 40.5	Rs. 40.5 (on 6.8.2019)
22.8.2019	Same announcement Rs.51.50	Rs.51.5 (previous rate on 21-08-2019 was Rs.51.5)
7.9.2019	Same announcement	Rs.45.5 Previous rate on Friday 6.9.2019 was Rs. 45.5
19.9.2019	Aoa Same announcement Rs.58.50	Rs.58.5
8.2.2020	Same announcement Rs.36.50	Rs.36.5
15.2.2020	Same Announcement	Rs.33.5 Previous rate on 14.2.2020 was Rs.33.5
21.2.2020	Same announce Rs.33.50	Rs.33.5
22.2.2020	Same announce Rs.33.50	Rs.33.5
21.3.2020	Chicks Rate 8.50	Rs. 8.5
24.3.2020	Same announcement Rs.8.50	Rs.8.5
4.4.2020	Same announce	Rs.14.5 Previous rate on Friday 3.4.2020 was Rs. 14.5
6.4.2020	Aoa Same announcement Rs.14.50	Rs.14.50 Previous day was Sunday
9.4.2020	Aoa Same announce Rs.10.50	Rs.10.5 , 8.4.2020 Rs.10.5
10.4.2020	Aoa Same announce Rs. 10.5	Rs.10.5 Previous day was Sunday
20.4.2020	Aoa Same announcement Rs.21.50	Rs.21.5 Previous day was Sunday
25.4.2020	Aoa Same announcement Rs.20.50	Rs.20.5 Previous day on Friday, 24.4.2020 Rs. 20.5

83. On 11th June 2020, the following message is sent to various contacts including:

6/11/2020

10:12:55

To

██████████ Sabir;

[REDACTED] Olympia [REDACTED]

[REDACTED] [REDACTED] Hi-Tech

[REDACTED] 2 Asif SB

[REDACTED] JADEED [REDACTED]

[REDACTED] Jadeed [REDACTED]

[REDACTED] ISB [REDACTED]

[REDACTED] Hitech

11-JUNE-2020 Chicks Rate 40.50 Market Lhr 172 Matket Fsd 165 Market Rwp 175 Br Farms Rates Lhr163 Rwp165 Fsd165 Srg170 Guj166 Oka163 Swl-158 Ryk156 Mul168 Kri180

9/22/2020

9:54:17

To

[REDACTED] Sabir;

[REDACTED] Hi tech

[REDACTED] 2 Asif SB Group

[REDACTED] (Olympia)

Aoa Same announce

10/17/2020

10:11:59

To

[REDACTED] Sabir;

[REDACTED] (Olympia)

[REDACTED] (Pakistan Poultry Update)

59.50

1/2/2021

10:08:18

To

[REDACTED] Sabir;

[REDACTED] (Pakistan Poultry Update)

[REDACTED] (Individual involved in poultry medicine business)

48.5

2/3/2021

10:06:47

To

[REDACTED] Sabir

[REDACTED] Olympia)

[REDACTED] Supreme

[REDACTED] Paksitan Poultry Update)

Aoa Same 52.50

3/6/2021

10:06:14

To

[REDACTED] b Sabir;

[REDACTED] Supreme

[REDACTED] SB

Aoa Same announce

3/24/2021

10:12:35

To

[REDACTED] Sabir;

[REDACTED] (Olympia)

[REDACTED] Supreme [REDACTED]

[REDACTED] (Pakistan Poultry Updates)

72.50

4/6/2021

10:03:52

To

[REDACTED] Sabir;

[REDACTED] Supreme

[REDACTED] Pakistan Poultry Update)

Aoa Same announce

5/5/2021

9:41:47

To

[REDACTED] Sabir;

[REDACTED];

[REDACTED] Supreme [REDACTED]

[REDACTED] SB

Aoa Same announce 75.50

84. The abovementioned messages show that the same rate as the previous rate will be announced. Two days later another message with the rates is sent by official of BBG stating that the same rates i.e. the previous rates will be announced.

5/7/2021

9:28:33

To

[REDACTED] SB

Aoa Same announcement

[REDACTED] Sabir

Aoa Same announce

In another message rates are being sent to the following:

To

[REDACTED] Supreme *

5/26/2021

10:08:58

Same 91.50

85. In a message, official of BBG tells official of Olympia that the same rate of Rs. 82.5 is announced for the next three days:

To

[REDACTED] (Olympia)

4/26/2021

10:12:59

82.50 for three days

From the rates prevailing on these dates it is observed that a fresh rate is announced on 26.04.2021 which is Rs. 82.5 and this rate prevails for the next four days i.e. 27th to 29th April after which the rate falls to Rs. 72.5 on 30.04.2021.

86. The official from BBG is not just conveying rates to other competitors but is also having a discussion regarding the same. In an SMS from 19th July 2019, the official from Sabir's group is told by official of BBG to not revise rates.

To

[REDACTED]

[REDACTED] Sabir *

8/19/2019

Plz revised na karein

87. The above message shows that the official from BBG is telling the official from Sabir's not to revise the rates. Further evidence reveals that the competitors are mutually discussing what the rates should be. In a string of text messages dated 17th August 2019, BBG official sends messages to officials of Olympia and Hi-tech whether the rate should be Rs. 51.5 or Rs. 52.5. On the same date the official from Hi-Tech states that the rate is Rs. 51.5. A look at the rate of day old chicks shows that on 17th August 2019 the rate was Rs. 51.5.

To

[REDACTED]

Olympia [REDACTED]

8/17/2019 Time 5:06:50

51.50 or 52.50 ?

To

[REDACTED]

[REDACTED] * Hi-tech

8/17/2019 Time 5:06:50

51.50 or 52.50 ?

From

[REDACTED]

[REDACTED] Hi-tech *

8/17/2019 Time 5:08:17

51.50

88. In a conversation between the officials of BBG and Sabir, rates are discussed and the former tells the latter that the 'other parties' are saying that the rate should be Rs. 23.5.

To

████████████████████ Sabir *

11/12/2019

10:17:02

23.50 sab keh rahy hain

From

████████████████████ Sabir

11/12/2019

10:17:16

Ok

To

████████████████████ Sabir

11/12/2019

10:17:40

Thx

89. The discussion on prices are actually implemented by all the companies as the rates of DOC on the website Agbro show:

Date	Rate announced on SMS	Agbro
11.6.2020	11-June 2020 Chicks Rate Rs.40.5	Rs. 40.5
22.9.2020	Aoa Same announce	Rs. 45.5 previous rate on 21.9.2020 was Rs. 45.5
17.10.2020	Rs.59.50	Rs. 59.5
2.1.2021	Rs.48.5	Rs.48.5
3.2.2021	Aoa Same Rs.52.50	Rs.52.5 previous day 2.2.2021 Rs. 52.5
6.3.2021	Aoa Same announce	Rs.71.5 previous rate on 5.3.2021 was Rs.71.5
24.3.2021	Rs.72.5	Rs.72.5
6.4.2021	Aoa Same announce	Rs.84.5 previous rate on 5.4.2021 was Rs.84.5
5.5.2021	Aoa Same announce Rs.75.50	Rs.75.5 previous rate on 4.5.2021 was Rs. 75.5
7.5.2021	Aoa Same announce	Rs.76.5 previous rate on 6.2.2021 was Rs. 76.5
26.5.2021	Same Rs.91.50	Rs. 91.5 previous rate on 25.5.2021 was Rs. 91.5
17.8.2019	Rs.51.50 or 52.50. Rs. 51.5 was decided	Rs. 51.5
26.4.2021	82.50 for three days	Rs.82.5 from 26.4.2021- 29.4.2021

12.11.2019	Rs. 23.50 sab keh rahy hain	Rs. 23.5
------------	-----------------------------	----------

90. In another discussion on rates the official from Hi-Tech (later he joined Supreme) and BBG are not agreeing over what the rates should be:

To

03008415759

[REDACTED] Hitech

10/19/2019

10:02:13

Sir 40.50

From

[REDACTED]

[REDACTED] Hitech

10/19/2019

10:02:46

No. 41.50

To

[REDACTED]

[REDACTED] Hi tech

10/19/2019

10:07:38

Rwp Fsd Mandi down ha apki meherbani plz

From

[REDACTED]

[REDACTED] Hi tech

10/19/2019

10:08:33

Koi frq nai prta.41 he kro

To

[REDACTED]

[REDACTED] Hi tech

10/19/2019

10:12:34

Bhai Jan koi nahi man raha

From

[REDACTED]

[REDACTED] Hi tech

10/19/2019

10:13:26

Mrzi apni kro ab.forever.

To

[REDACTED]

[REDACTED] * Hi tech

10/19/2019

10:14:22

Plz*

91. In a message dated 15th July 2019 sent to official of Hi-tech, official of BBG informs that various rates were discussed and the final rate decided was Rs. 14.5. Rates from Agbro show that on 15th July 2019 the rate of day old chicks was Rs. 14.5. The message is reproduced below:

To

[REDACTED]

[REDACTED] Hi tech

7/15/2019 Time 5:10:58

Sir 18.50 ka mashwara bi tha aur 15.50 ka bi 14.50 final decided

92. In another string of messages it appears that there is discussion on rates between Hi-tech and BBG. Representative of Hi-tech says that the rate should be Rs. 40 to which official of BBG replies that SB (another competitor) is selling at Rs. 40. The representative of Hi-tech says that they will also sell at Rs. 40.

From

[REDACTED]

[REDACTED] *Hi tech

8/28/2019

Trying for 40

To

[REDACTED]

[REDACTED] Hi tech

8/28/2019

Ok thnx SB sale@40

From

[REDACTED]

[REDACTED] Hi tech

8/28/2019

INSHALLAH we ll also

93. In another such message between the two there is an inquiry as to the rate of SB:

From: [REDACTED]

[REDACTED] Hi tech

10/7/2019

10:46:59

Any update about SB rate ?

To: [REDACTED]

10/7/2019

10:47:27

40

From: [REDACTED]

2 Dr Hafeez Sb* Hi tech

10/7/2019

10:48:36

Ok.thx

94. There is also an instance in which the rates for the next day are also decided between

BBG and Hi-tech:

To:

[REDACTED] Hi-tech

03458444520

10/25/2019

10:05:10

Aoa Same announcement

From:

[REDACTED] Hi-tech

[REDACTED]

10/25/2019

10:05:43

Ok.aj or kl b

To:

██████████ Hi-tech

██████████
10/25/2019

10:06:19

Ok

95. In another thread there is a discussion on what the rates should be based on the previous day's sales rates:

From: Hitech ██████████

12/5/2019

10:04:20

Yesterday 7.8 me sale hua ha .12 kr lo

To: Hitech ██████████

12/5/2019

10:04:43

Ok Poochta hoo

To: Hitech ██████████

12/5/2019

10:08:55

15.50 hi keh rahy hain

From: Hitech ██████████

12/5/2019

10:09:13

Ok

96. A similar conversation takes place some days later when official of BBG suggests that the rate should be between Rs. 10 to 13 to which the official of Hi-tech says that it should not be more than Rs. 10. It is important to observe that the rate announced can act as a reference point for further discounts:

To: Hitech ██████████

12/16/2019

4:03:30

10-13

From: Hitech ██████████

12/16/2019

4:04:31

I think not more than 10.every where 10 easily available

No rate is however, announced by official of BBG to other parties. The next day official of BBG sends the following message:

To: Hitech [REDACTED]

12/17/2019

3:31:01

10

From: Hitech [REDACTED]

12/17/2019

3:31:24

Ok

(No rate is announced by official of BBG to other parties.)

97. In messages between BBG and Sabir's the former quotes the rate of Rs. 18.5 for day old chicks saying that business is brisk. The rate of chicks on the previous day (i.e. 13.04.2021) was Rs. 10.5⁴⁷ therefore, the context of the chat is that since business is picking up, the rate has been increased from Rs. 10.5 to 18.5.

To

[REDACTED] Sabir

4/14/2020

10:10:28

18.50

To

[REDACTED] Sabir

4/14/2020

10:10:44

Kam garam ha

98. Furthermore, in a message to a contact named [REDACTED] (who according to official of BBG is a dealer of DOC) from Faisalabad, the official of BBG states that the rate was the result of a combine decision. Price data from Agbro shows that the combined decision was actually implemented and the prices on 31st March 2021 were Rs. 73.5 in Rawalpindi, Lahore and Faisalabad.

⁴⁷<https://www.agbro.com/broiler-market-prices-2020-2/>

To

[REDACTED]

[REDACTED] (dealer)

3/31/2021 10:19:25

73.50 Combine decision

99. The two individuals appear to be discussing the rates of chicks in the below mentioned thread. This SMS takes place in the context of a decrease in rate of chicks announced on 31.03.2021 i.e. falling by Rs. 9 (from Rs.82.5 on 30.03.2021 to Rs. 73.5 on 31.03.2021

From

[REDACTED]

[REDACTED] (dealer)

3/31/2021

10:27:31

Sir rate ll go to 62 with this decrease if we announce 82 then we can maintain rate at 72 InshaAllah.

The official of BBG then forwards the above message to official of SB group and then sends the following SMS to official of SB:

[REDACTED]

[REDACTED]

[REDACTED] SB

3/31/2021

10:57:29

Today INSHALLAH MAINTAIN 73

100. The next day i.e. 01.04.2021, official of BBG sends a message regarding rate of Rs.

78.5. The message is sent to the following:

a. [REDACTED] (Olympia)

[REDACTED]

c. [REDACTED] (Poultry Updates)

d. [REDACTED] (Supreme)

101. Similarly future pricing intentions are discussed as well. In a message dated 5th November 2020 (Thursday) sent to official of SB wherein the rates for DOC is set at Rs. 51.5 till Saturday.

To

[REDACTED]

[REDACTED] SB

Time

11/5/2020

10:04:38

Saturday tak 51.50

102. In another such message dated 22nd February 2021:

To

[REDACTED]

[REDACTED] SB

Time

2/22/2021

10:07:42

65 for two days

103. In a message to official of SB, the official of BBG tells him that the rate of DOC for the next two days will be Rs. 78.

To

[REDACTED]

[REDACTED] SB

Time

4/19/2021

10:20:27

@78 for two days

104. It appears that the rates discussed are actually implemented as shown by the rates on website of Agbro which are as follows:

Date	Rate announced on SMS	Agbro
15.7.2019	Sir 18.50 ka mashwara bi tha aur 15.50 ka bi 14.50 final decided	Rs.14.5
28.8.2019	Trying for 40 Ok thnx SB sale@40	Rs.42.5

25.10.2019	Aoa Same announcement Ok.aj or kl b	Rs.41.5 on the previous day 26.10.2019 and on 25.10.2019.
5.12.2019	15.50 hi keh rahy hain	Rs. 15.5
17.12.2019	Rs. 10 to Hi tech.	Rs. 13.5
14.4.2020	Rs.18.5	Rs.18.5
31.3.2021	Today INSHALLAH MAINTAIN 73	Rs. 73.5
01.04.2021	Rs. 78.5	Rs.78.5
05.11.2020	Saturday tak 51.50	Rate is Rs. 51.5 from 05.11.2020 (Thursday) to 7.11.2020 (Saturday)
22.02.2021	65 for two days	Rs.65.5 on 22.02.2021 and Rs.66.5 on 23.02.2021
19.04.2021	@78 for two days	Rs.78.5 on 19.04.2021 and 20.04.2021

105. Official of BBG In a message to representative of Supreme Feeds dated 27th May 2021:

To

Supreme [REDACTED] (Left Hi-tech and joined Supreme)

5/27/2021

10:04:55

81.50

To

Supreme [REDACTED]

[REDACTED]

5/26/2021 5:10:05

Rate 80

To

Supreme [REDACTED]

[REDACTED]

[REDACTED]

5/18/2021

10:08:23

Aoa 80.50

To

Supreme [REDACTED]

[REDACTED]

5/5/2021

9:41:47

Aoa Same announce 75.50

To

Supreme [REDACTED]

4/29/2021 9:48:18

82

To

Supreme [REDACTED]

4/20/2021

10:03:19

Aoa Same announce

To

Hitech [REDACTED]

4/17/2021

10:07:34

Aoa Same announcement 75.50

From

Supreme [REDACTED]

4/9/2021

10:05:36

Ok,what was yesterday position

To

Supreme [REDACTED]

4/9/2021

10:06:15

85

106. In a discussion with the official of Hi-tech is asking official of BBG about the finalized rate:

From: [REDACTED] Hitech [REDACTED]

4/3/2020

4:26:05

Final rate 10 ya zyada

To: [REDACTED] Hitech [REDACTED]

10

From [REDACTED] Hitech [REDACTED]

Ok.

107. The role of BBG is further highlighted in a conversation between the officials of Supreme and BBG dated 18.09.2020:

From

[REDACTED] Supreme [REDACTED]

9/18/2020

5:01:56

Dr sb kindly resolve chick rate issue

To

[REDACTED] Supreme [REDACTED]

9/22/2020

10:32:43

Today resolve

From

[REDACTED] Supreme [REDACTED]

9/22/2020

3:48:47

Any progress dr sb

108. The officials of BBG and SB are also bilaterally discussing rates as shown in the conversation dated 31.10.2019 wherein official of BBG is asking the official of SB about the rate:

From

[REDACTED]

[REDACTED] SB

10/31/2019

10:01:36

Plz message

To

[REDACTED]

[REDACTED] SB

10/31/2019

10:01:47

Rate ?

From

[REDACTED]

[REDACTED] SB

10/31/2019

10:02:33

35

109. On 9.10.2019, the official of BBG sends SMS messages to official of SB and Hi-tech at the same time, asking them what the rate is. In reply officials of both SB and Hi tech quote Rs. 30:

To

[REDACTED]

[REDACTED] SB

10/9/2019

4:45:17

Rate

To

[REDACTED] Hi-tech

Time

10/9/2019

4:45:31

Rate

From

[REDACTED]

[REDACTED] SB

10/9/2019

4:45:38

30

From

[REDACTED] Hi-tech

10/9/2019

4:47:00

30

110. In addition to the above, the official of BBG has shared rates of DOC with a number of participants approximately 198 times, in the years 2019 to 2021, which includes the following officials related to the poultry industry:

- a. [REDACTED] SB;
- b. [REDACTED] Hi tech;
- c. [REDACTED] Hi tech (this official joins Supreme in 2021 and participates as this company's representative thereon);
- d. [REDACTED] Islamabad Group;
- e. [REDACTED] Sabir;
- f. [REDACTED] Jadeed;
- g. [REDACTED] Olympia Group;
- h. [REDACTED] PPA;
- i. [REDACTED] Saeed Shehzad Pakistan Poultry Update;

111. To ascertain the implementation of the DOC rates shared by the official of the BBG, a comparison of the DOC rates of BBG and PPA reveals that the circulated rates of DOC actually match with the market rates (obtained from Agbro) on almost daily basis i.e. from 10.04.2019 to 10.06.2019 and 02.09.2019 to 21.03.2020. The similarity in the circulated rates of DOC by the official of BBG with the market rates of DOC are also found on 10.06.2020, 11.06.2020, 08.04.2021, 09.04.2021, 20.04.2021, 24.04.2021, 28.04.2021 and 29.04.2021. The detailed comparison is placed Annex E-4.

112. The production of DOCs in hatcheries involves placing eggs in hatchery machines which control temperature and provide optimum conditions are hatching of eggs. In the hatchery business the number of machines operational refers to the current production. In this regard there is a message from the official of Hi tech (who has later joined Supreme in 2021) to BBG inquiring as to the number of machines which reads as follows:

From

[REDACTED]

[REDACTED] *Hi tech

6/19/2019

10:08:59

Ok. What's yesterday maximum. No.of machines ?

To

[REDACTED]

[REDACTED] Hi tech

6/19/2019

10:09:26

2/3

To

[REDACTED]

[REDACTED] SB

6/19/2019

10:09:41

Total machines

From

[REDACTED]

[REDACTED] SB

6/19/2019

10:10:29

1280

To

[REDACTED]

[REDACTED] Hi tech

6/19/2019

10:11:04

1280

In another message a similar inquiry is made by official of Hi tech

From

[REDACTED]

[REDACTED] Hi tech

7/4/2019

10:35:37

Any updates for no.of machines ?

To

[REDACTED]

[REDACTED] Hi tech

7/4/2019

10:38:43

900

From

[REDACTED]

[REDACTED] Hi tech

7/4/2019

10:39:08

Ok.thx

113. In a separate message, the official of Supreme (Before he was at Hi-Tech) inquires about number of machines:

From

[REDACTED]

[REDACTED] Supreme

5/24/2021

7:36:48

Pl.send.no.of machines details. Waiting

114. There is no response to this message. Further on 19.05.2021 a message is sent from official of BBG regarding number of machines:

To

[REDACTED]

[REDACTED] SB

5/19/2021

10:27:06

Total machine 42

115. Similarly in another message official from Hi tech (who has later joined Supreme) enquires about the number of machines:

From:

[REDACTED] Hitech [REDACTED]

4/15/2020

12:17:14

Waiting for no.of machines detail.thx

116. In another SMS thread, the officials of BBG and SB are exchanging information on the number of machines.

From

[REDACTED]

[REDACTED] SB

5/14/2020

3:44:56

Machines

To

[REDACTED]

[REDACTED] SB

Time

5/14/2020

3:45:51

56

117. In another instance, the aforementioned messages pertaining to the enquiry of number of machines sent from official of BBG to SB:

From

[REDACTED]

[REDACTED] SB

7/14/2020

2:14:05

Waiting

To

[REDACTED]

[REDACTED] SB

7/14/2020

2:40:56

58

118. Likewise, the information on number of machines of BBG is conveyed to official of

SB:

To

[REDACTED]

[REDACTED] SB

3/14/2020

12:27:17

70

119. We know that this is the number of machines since the rate of DOC has already been conveyed by official of BBG earlier at 10:19 am on the same day at @ Rs. 25.50. The same information is conveyed on the previous day as well:

[REDACTED]

[REDACTED]

[REDACTED] SB

3/13/2020

2:56:43

Total 82

120. The figure of 82 refers to the number of machines because official of BBG had already announced the rates of DOC earlier at Rs. 30.50. In another such SMS exchange the number of machines is intimated to official of SB:

To

[REDACTED]

[REDACTED] SB

2/15/2020

11:04:50

Total 62

121. Similarly, on 14.1.2020 the official of BBG sends the official of SB the number of machines for DOC as well as that of Grandparent stock:

To

[REDACTED]

[REDACTED] SB

1/14/2020

11:58:22

52 machines+10 Gp

122. The official of SB enquires about the number of machines from official of BBG:

From

[REDACTED]

[REDACTED] SB

12/14/2019

1:00:25

Machines

To

[REDACTED]

[REDACTED] SB

12/16/2019

7:25:40

Total Machines #70

123. The above pattern of enquiring the number of machines continues and on 17.08.2019 the official of SB again inquires the official of BBG on the number of machines:

From

[REDACTED]

[REDACTED] SB

8/17/2019

12:33:04

Machines

To

[REDACTED]

[REDACTED] SB

8/17/2019

1:07:47

76

124. It is pertinent to mention here that the concerned official of BBG, whose handheld device was impounded, recorded his statement under Section 33 of the Act with the enquiry committee. He stated that every hatchery determined its own rate and there is no coordination between the companies. He also stated that every company had its own

mechanism for determining rates of DOC which depended on the prices of broiler and other demand and supply factors. As for BBG the official noted that he himself determines the rate and asks other persons in his company about the prevalent situation in the market. The person informed that DOC are produced in machines and each machine has the capacity of producing 115,000 DOC. He further stated that if companies followed each other's rate there then there was no one to blame for the same.

125. Evidence impounded from the handheld computer devices of official of BBG and PPA shows:

- a. Official of BBG is the focal person for communicating, coordinating the rates for day old broiler chicks with officials of other hatcheries as well as PPA.
- b. The rates conveyed are for Rawalpindi, Lahore and Faisalabad. These cities have the same rates for day old chicks.
- c. Rates for all the hatcheries are uniform. During the course of enquiry the enquiry committee contacted two companies producing day old chicks i.e. Islamabad Group and Big Bird Group telephonically and inquired about the rates of day old chicks. From both companies the representatives stated that the prices of day old chicks was same for all the companies.
- d. Rate is conveyed on a daily basis except for Sundays.
- e. The rates conveyed by official of BBG is the one that prevails in the market as observed from website Agbro.
- f. Rates are conveyed through SMS or via the aforementioned WhatsApp group.
- g. The companies particularly SB, Hi tech and Supreme are also sharing their production information with official of BBG.

126. In a competitive market, each individual company would set its own price for DOC however, in the instant matter it appears that the companies are making a collective decision on prices which culminates in the announcement of a single price by a designated official. In the various instances reproduced above, it can be observed that competitors are having discussions about what the prices of DOC should be, a single rate is announced for all the companies and in some instances the rates for the next two or three days are also announced. It appears that the companies have reached an understanding regarding the prices of DOC in violation of Section 4(2)(a) of the Act.

127. The evidence above also shows that SB, Hi tech and Supreme are also sharing their production information with official of BBG. As mentioned above, DOC are hatched in incubator machines and the number of machines operating at each given time decides

the amount of production (DOC) entering the market after 21 days. It appears that this information is used as an input in the price fixing arrangement and a broader understanding to control supply in the market in violation of Section 4(2)(a) of the Act.

128. From the foregoing it appears that in the relevant market for DOC the following companies have been collectively discussing, sharing and fixing prices since 2019 to 2021 (up to May 2021) in *prima facie* violation of Section 4(2)(a) of the Act:

- a. BBG (2019 to 2021)
- b. Hi tech (2019 to 2021)
- c. Jadeed (2019 to 2021)
- d. SB (2019 to 2021)
- e. Islamabad (2019 to 2021)
- f. Olympia (2019 to 2021)
- g. Sabirs (2019 to 2021)
- h. Supreme (2020-2021).

129. It appears that during the period 2019 to May 2021, PPA appointed official of BBG as Convener Standing Committee Hatchery Affairs which facilitated coordination amongst undertakings, involved in the production and sale of DOC in collective discussion and decision on DOC prices and was also aware of pricing decisions and announcements made through SMS and WhatsApp group of which its Secretary General is a part of, which constitutes a *prima facie* violation of Section 4(1) read with Section 4(2) (a) of the Act.

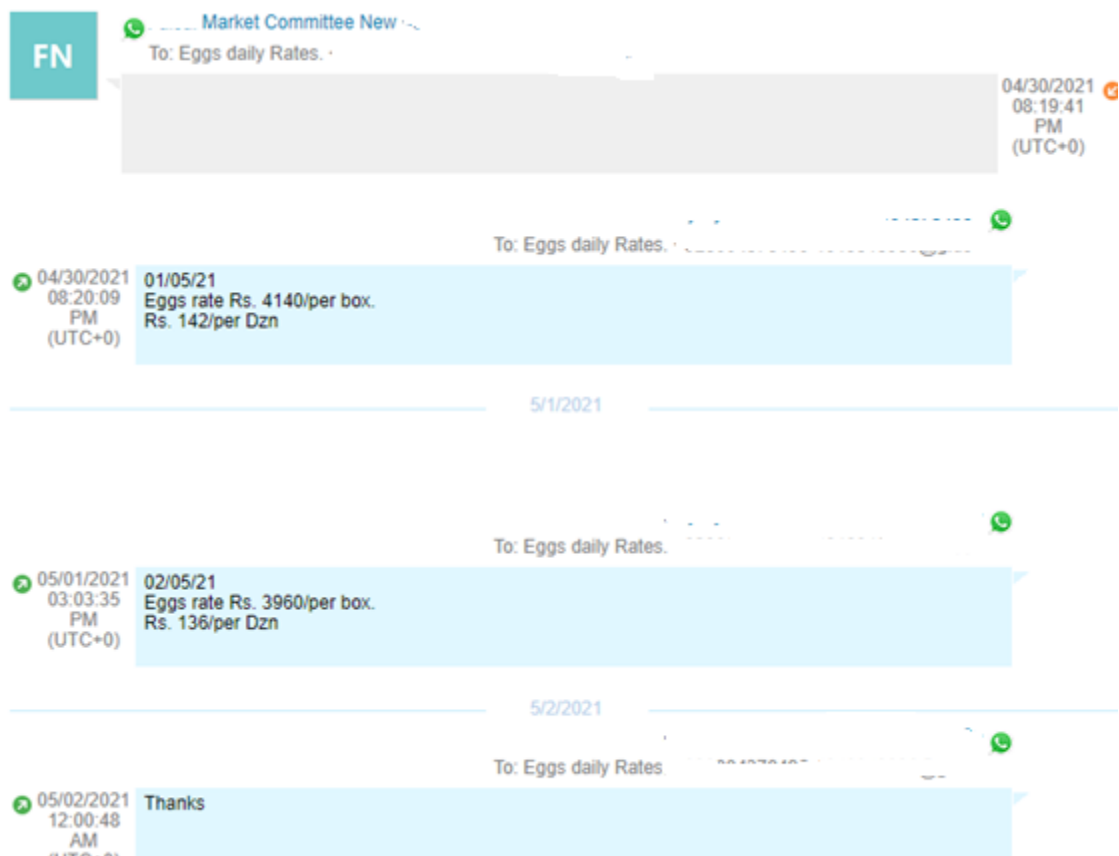
ISSUE –IV: WHETHER THE PLATFORM OF PPA OR ANY OTHER ASSOCIATION IS USED TO FIX THE PRICES OF EGGS AND BROILER MEAT IN PRIMA FACIE VIOLATION OF SECTION 4 OF THE ACT?

130. As mentioned in paragraphs above, there are various social media groups including Facebook, WhatsApp and Twitter where rates of eggs and chicken are announced by so called rate committees.

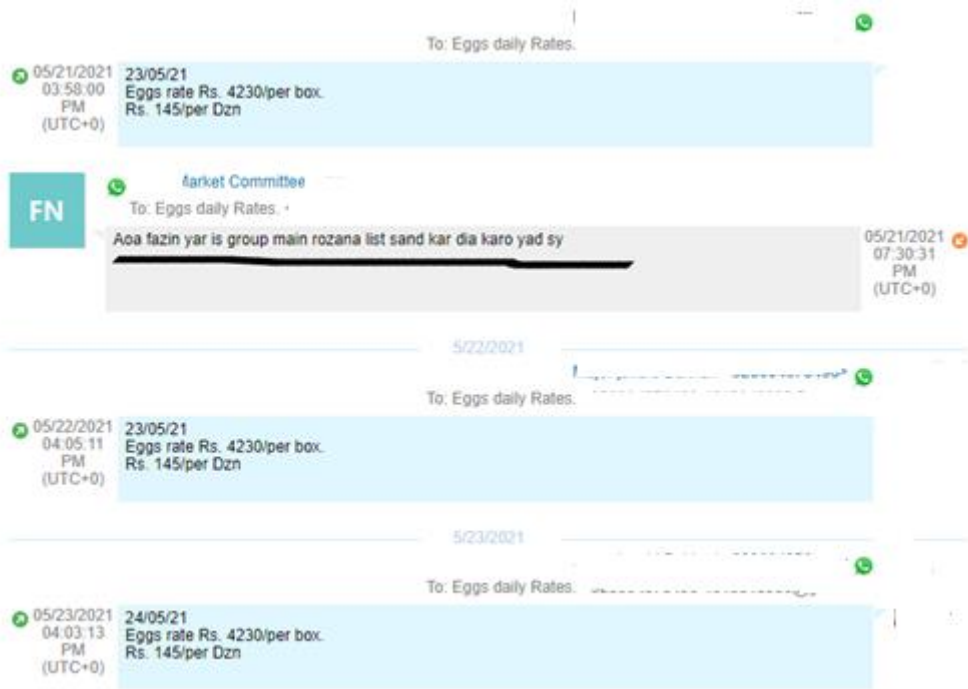
131. In order to gather further information in the matter, especially *vis a vis* the mechanism for deciding the rates of poultry products, the enquiry committee recorded statements

under Section 33 of the Act of various persons involved in the poultry supply chain. (List of persons with whom interviews were conducted along with their written statements are attached as (**Annex - F**)

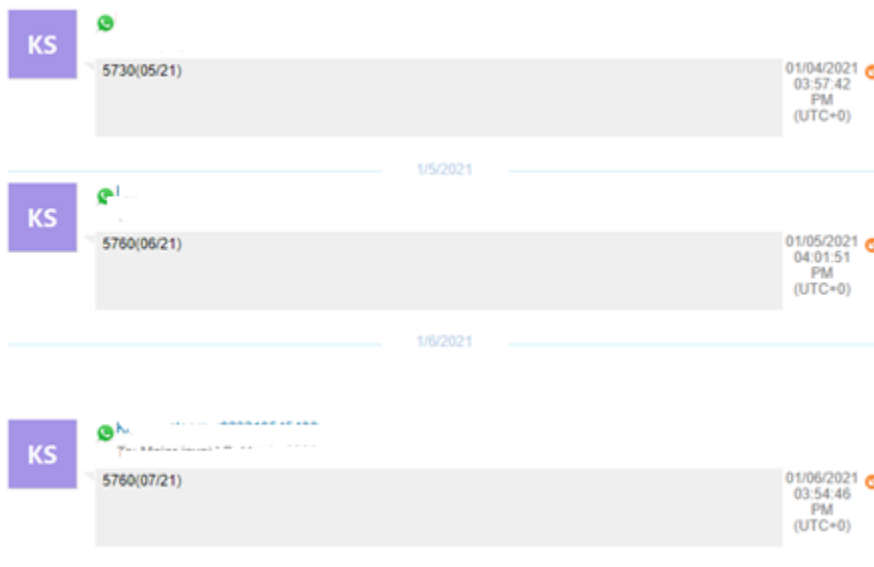
132. During the search and inspection of the premises of PPA the handheld device of Secretary General PPA was impounded wherein it was noted that the official was forwarding rates of eggs to the Office of Market Committee Lahore. In this regard the PPA official informed that the rates of eggs were forwarded by a former official of PPA involved in trading of eggs which were then forwarded to the market committee Lahore. It is observed that starting from 30.04.2021 official of PPA sends rates of eggs on a daily basis to an official of the market committee. The relevant excerpts are shown below:

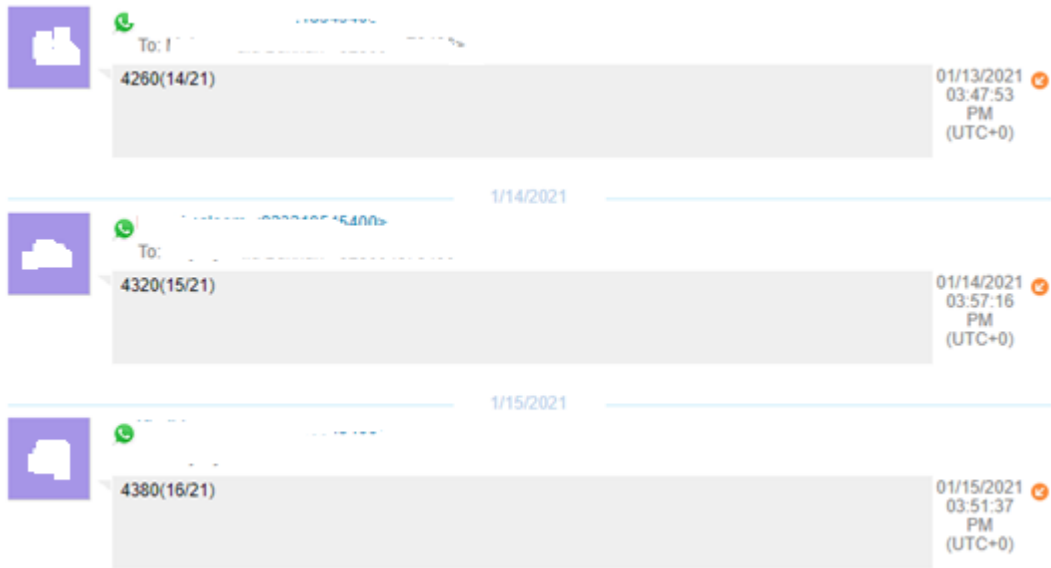


133. After the rates are sent by the official of PPA, the member of the market committee then sends him the official rate list. In the message thread below the official of the market committee asks another officer of the market committee to send the rate list on the group:



134. The handheld device of PPA’s official shows that as stated by him, the egg rates are being forwarded to him by an egg broker who was once an office bearer of PPA. The forensic record shows that since 23.12.2020, rates are being forwarded on a daily basis some of the records are shown below:





135. An official of the Market Committee Lahore was contacted by the enquiry committee via telephone inquiring into the practice of provisioning of rates of layer and broiler. In response the official sent screenshots of his mobile phone which showed that the rates of eggs were being forwarded daily by the abovementioned official of PPA and the rates of broiler were being forwarded to his office daily by an official of Broiler Farmers Association (BFA). From the abovementioned screenshots shared by the official of the Market Committee Lahore, it is noted that the egg rates forwarded on 30.05.2021 and 31.05.2021 by the official of PPA match with the rates obtained from the forensic record of PPA official's handheld device.



136. Based on the above information, the following chain for provision of prices emerges:

Egg broker → PPA official → Market committee for rate list

137. Section 33 interview was conducted from the egg broker forwarding rates to PPA for onward submission to the market committee annexed above as F. The broker informed that he was involved in the egg trading business since the past 35 to 40 years. He informed that there were a number of players in the egg business from farming to trading and the rate was set by the market forces of demand and supply. He stated that it was the prerogative of the market committee to ask the rates of eggs from whomsoever it wished.

138. Eggs were perishable items and the estimated daily production in Pakistan was about 5 crore and if one were to conduct a survey of the market you would find that they are being sold at different rates and there was no group controlling prices. Rates depend on production i.e. how many hens the farmers have placed as well as demand i.e. in winter the demand for eggs rises. The large companies did not even account for 5% of total production and there are many small farmers involved with the largest production being concentrated in Punjab. Previously egg farming was traditional however, there has now been a shift towards modern techniques. He estimated that there were thousands of layer farmers in Pakistan however, PPA only had 300 members. There are a large number of brokers who earn a profit of about Rs. 10 to 15 per *paiti*. He noted that the Corona virus pandemic had affected the poultry life cycle and reduced production as well.

139. He noted that there are different brokers in the market and he contacts them asking the rates at which they procured eggs and each provides him the rates for the same. The market committee then takes this average rate and adds to it transportation and other costs to reach a rate for the final consumer. He likened the system of determining egg prices to that of vegetable and fruit *mandis* (i.e. where the auction were observed and the average rates were taken to determine prices). The only difference here was that there was no organized *mandi* for eggs. The average egg rates for areas such as Samundri, Kamalia, Chakwal are taken by him. He noted that there was a proliferation of a large number of poultry groups social media and WhatsApp where rates were being transmitted. He refers to some of the more reliable groups for calculating the average rates of eggs.

Broiler Pricing Mechanism

140. Official of the market committee had informed the enquiry committee that the rates of broiler were being forwarded by the representative of the Broiler Farmers Association (BFA). In order to gather further information and data regarding the mechanism for determining prices for broiler, the enquiry committee conducted interviews under Section 33 of poultry farmers and brokers. These statements are summarized in the paragraphs below.

Representative of BFA (Rawalpindi):

141. There are three main elements in poultry farming (i) DOC; (ii) Feed; and; (iii) Farm Administration. DOC are produced by hatcheries and their prices are announced daily via WhatsApp and previously through SMS. Every farmer has a different Feed Conversion Ratio (FCR) and hence the difference in cost. If all goes well a DOC will gain weight of 2 kg after 35 days. Large farms require at least 5 to 6 days to dispose approx. 60,000 birds.

142. In terms of the supply chain, every farmer has at least 6 to 7 brokers to which it sells its ready flock. Approximately 80% of broiler is sold directly to the buyer (shop keepers, marqueees) and the remaining 20% is sold through the various *mandis*. There are 2 types of broker one is cash and the other is on credit. It takes 10 to 15 days for dealer to pay back.

143. On the matter of farm gate rate announced by BFA he noted that there was no formula or hard and fast rule as such rather the availability of chicken in Sargodha, Chakwal and Rawalpindi are taken. 100 cars at interchange, if there are less cars then farmer will ask for Rs. 3 to 4 more. What was the average the day before and at what rate did the *mandi* open are looked at. The farm gate rate has a relationship with *mandi* rates i.e. what is the going rate at the *mandi*. Keeping these factors in view, rate is informed. It is not necessary that the rate announced by BFA actually prevails in the market. Usually it happens that the rate is either more or less than the announced rate. Sometimes the rate is Rs.10-15 lower than the rate announced.

144. Farmer is a price taker and all farmers are in competition with each other as each farmer would want to sell his flock. Before BFA traders used to announce rate. It is just like asking the farmer to fix rate of feed. The rate is not fixed but just informed by BFA. 4 years ago Secretary Livestock (Punjab) devised a mechanism under which a rate would

be informed by broiler farmers. Trader used to take out an under par rate. Therefore, a new mechanism was introduced in Lahore whereby a supply list is issued between 10:00 pm-11:00 pm which gives the rate at which chicken is selling. This is decided in conjunction with the BFA and representative of the Livestock Department. Based on this the rate list is given by the rate committee. Under the supply list if the rate is Rs. 100 then Rs. 8 margin is added for supplier and Rs. 8 for shopkeeper to determine price. The mechanism differs in Rawalpindi where representative of the Agriculture department takes an average of farm gate rates. The *mandi* in Lahore has an auction mechanism there is no such mechanism in Rawalpindi.

145. With respect to rates discussion of WhatsApp groups he noted that this has resulted in greater transparency in the market. If a farmer quotes a rate of Rs. 200 then the broker will contact farmers in other vicinities to check their rate and lift from the farmer offering the best rate. Demand and supply play a very important role in setting rates. Demand is usually higher in winter or wedding seasons etc. If demand is low or if supply is high then the rate will automatically be reduced.

Broiler Farmer Representing PPA:

146. He noted that there were an estimated 20,000-25,000 poultry farms scattered throughout the country. Broiler is a highly perishable product and when the bird has achieved optimal weight (2 kg) then it has to be sold immediately because after this point it is not feasible to rear since it consumes more feed and there is weight loss. There is also no holding capacity in the industry.

147. Feed is the major cost component of broiler farming and its prices have doubled over the last two years. Broiler farming has generally become very expensive due to the fact the various raw materials including feed components, additives, medicines and vaccines are all imported. Covid-19 pandemic also caused losses for the industry which will take time to recover.

148. On the downstream side he informed that brokers lift the broiler from farms for onward supply to shops. In Lahore alone there are some 10,000 chicken shops having daily sales of 50 to 100kg on average and the margin of these retailers in Lahore is determined at Rs. 8 per kg. There are four *mandis* in Punjab: Faisalabad, Rawalpindi and two in Lahore and run on an auction system.

149. Manipulation of prices is not possible and the farmer is actually suffering losses. Cartelization can be at the factory level and not at the farm level. Prices are purely a

function of demand and supply. The demand for broiler is seasonal depending upon religious festivals and wedding seasons. For example, demand is comparatively less in Muharram and Safar and then picks up in Rabi ul Awal. In Ramzan the demand is comparatively less and picks up before Eid. He noted that since Ramzan is in the summers consumers prefer to do their grocery shopping right before the commencement of the month and therefore, we can see a spike in prices during this time. In terms of supply, farmers will place their flocks to coincide with times of peak demand and it often happens that prices do not increase as much in times of high demand as there is abundant supply available. Mobile phones have made the market transparent and if the broker knows that there is abundant broiler ready for supply from farms then he will offer the farmer less. Since the construction of better roads, broiler can be easily transported throughout Pakistan and a vehicle can reach Karachi from Punjab in maximum 12-14 hours.

150. The market committee may be informed of the rates by the farmer and trader for example, farmer will quote Rs.210, trader will say Rs.200 but the actual rate will be that at which the product is sold. There is also a rivalry between the farmer and the trader.

Representatives of Punjab Poultry Traders Association

151. Trader performs the function of transporting the broiler from farm to *mandi*/Shopkeeper. The transportation vehicle, diesel, loss during transit are all the responsibility of the trader. There are two *mandis* in Lahore i.e. Tollinton and Sheranwala where traders operate. The birds are then sold by trader through open auction at the *mandi* which shows its true rate. The auction rate is based purely on demand and supply just like in a fruit and vegetable *mandi*.
152. The trader buys the bird from the farmer if for example, he buys at Rs. 200 then he will add on his fixed margin of Rs. 8 and sell it for Rs. 208 at the *mandi*. If demand is high, the rate paid by the shopkeeper could be Rs. 210 and if there is no demand the selling price could be Rs. 205 or even Rs. 200. The trading price at the *mandi* is the real reflection of actual prices however, what is going on is that the trading price in the *mandi* would be Rs. 200 but the official rate list for final consumer would be Rs.220 which does not reflect the true rate. Farm rate is actually the consumer rate i.e. Rs. 200 +Rs. 8 = Mandi rate + Rs.8= Shopkeeper rate.

153. The reason for this is that four years ago there were a traders' association and a farmers' association representative from each used to sit at the DC office daily and agreed on rates. Factors into consideration was the previous day's rates, today's rates, and the position in Faisalabad, Gujranwala and Multan. Based on this a rate was agreed upon.
154. Another traders' representative elaborated on this practices saying that farmers had an asking rate and traders had an offer rate. They used to bargain and the actual rate was the one at which broiler was sold. After that the government representative used to work out the rate for the next day (rate list). The next day when this practice was repeated the rate at which the broiler was actually sold was used as a basis for further negotiation. Whoever, gave the lower rate that rate was applied. PPA used to represent farmers however, when it was fined by CCP it formed a new organization called BFA.
155. This system was changed and Livestock department and market committee gave this task to President of BFA. Even if the sale was made at Rs. 200 the official rate list for consumers would be given as Rs. 220. Usually the official rates are lower than the actual rates but this is not the case in poultry. The rate at the list would be Rs. 350 (which is actually paid by the consumer) and broiler would be selling for Rs. 300 the difference goes to some traders, middlemen and farmers rate committee.
156. On a question regarding various poultry group it was informed that Smile Poultry is a group with general information such as "X" person sold at this rate, bought at this much. No decision made on this group. BFA decides the rate for each city. This rate is not the actual rate. Rate committee of BFA decides the rate amongst themselves. The rate should be based on demand and supply but this is not the case. Rate should be based on the *mandi*. It is now decided that the old system would be reinstated but no notification in this regard has been issued yet. Whoever, gives the lower rate that rate would be implemented. The traders association is now also giving its rates.
157. BFA's motto was '*saddi murghi sadda rate*' 'our chicken our rate'. They formed WhatsApp groups and decided rates for Punjab. They were also able to get the support/favor from government departments. This means that the asking rate of farmer was now the rate printed on the rate list.
158. Summary of Interviews:
- a. Broiler farmers were of the view large number of poultry farms, perish-ability of the product, easy transportation and price transparency (with the advent of WhatsApp) meant that no one could control or fix the price of broiler in the country which was based on demand and supply;

- b. The broiler farmers were mainly conveying the average rates to farm committees.
- c. The current mechanism for price determination varied from city to city. In Lahore. it was as, farm gate rate (BFA's rate)+Rs. 8 margin for trader+Rs.8
- d. Traders' association representatives informed that the previous price setting mechanism for broiler was average rate at which trade took place between trader and farmer. Under the existing mechanism BFA was giving a rate which was higher than the one on which the actual trades took place. So if the actual trading rate was Rs. 200 then the official rate on price list payable by the consumer was Rs. 230. The differential was being pocketed by traders, shopkeepers and members of BFA.

Government mechanism for rate fixation

159. The enquiry committee was provided a copy of a letter by Livestock & Dairy Development Department Government of the Punjab addressed to the Directorate General Industries, Prices, Weights & Measures Punjab. The letter is dated 05.03.2021 with the subject: "Proposal Regarding Price Fixation Mechanism for Chicken and Eggs". The letter describes the present poultry pricing mechanism in vogue in Punjab as follows:

"Para 3. The daily poultry rates are mutually decided by farmer and the purchaser at farm level as well as during auction in different cities of Punjab on the basis of supply and demand". (Annex-G)

The mechanism as described by Livestock Department Punjab is depicted as follows:

Farm Rate	<ul style="list-style-type: none"> • Factors (Stock/demand +Last rate + Other market rates+ Day of week) • Tentative rate determined by Broiler Farmers Association (BFA) on above factors. • Actual rate decided by farmers & purchaser mutually. • BFA informs farm gate rate to market committee.
Trader Rate	<ul style="list-style-type: none"> • Based on farm rate + Rs.8 per kg &Average mandi rate
Retail rate & sale at outlet	<ul style="list-style-type: none"> • Average trader rate + Rs. 8 per kg. • Rate notified/published late last night by market committee and spread throughout all market early morning. • Shopkeeper sell chicken at displayed rate • Farm gate + 8+8 = live weight x1.5 = chicken meat rate

Source: Livestock Dept. Punjab

160. Office of Market Committee Lahore addressed to the Secretary Livestock Department, dated 04.06.2021, with the subject *“To chalk out a proper mechanism regarding provision/issuing of daily rates of poultry items”* (**Annex-H**). Relevant portions of the letter are reproduced below:

“It is submitted that earlier, the representatives of Livestock Department Government of the Punjab was provided the poultry items rates on daily basis to the Market Committee Lahore for publication. However, this practice was stopped by the Live Stock Department few years ago and informed verbally, to the Market Committee, that now the concerned Poultry Associations i.e. PPA and Broiler Farm etc. will provide the rates of the said items to the Market Committee Lahore for publication. Since then the representatives of different poultry associations i.e. Mr. Raza Khursand, and Mr. Javaid Bukhari on behalf of Pakistan Poultry Association providing the rates of broiler and eggs and Mr. Sardar Tajamal on behalf of Broiler Farm Association were also providing the rates of Broiler and Eggs to this committee. Similarly, Mr. Tariq Javed President Tolinton Market Trader’s Welfare Association Lahore was also providing the rates of Broiler to this committee”.

It further states:

“Now reportedly on 2nd June 2021 the Competition Commission of Pakistan has took the relevant record/Mobile Phones of Pakistan Poultry Association from their office into the custody for probing purposes regarding unnecessary increase in the prices of poultry items and due to this action the PPA has stopped to providing the rates of Poultry items (Broiler and Eggs) to this committee from 3rd June 2021. Similarly Broiler Farmer Association also stopped providing rates of eggs and only provide Broiler rate. So ultimately the Market Committee issued the rates of Eggs on 4th June on the basis of rates of 3rd June 2021 to avoid any complication & panic situation in this regard but Market Committee cannot continue this practices that issue eggs rate without getting from any forum”.

161. From Section 33 interviews of stakeholders and documents of the Livestock department it appears that since broiler chicken and eggs fall in the category of essential commodities their prices are fixed by the various market committees. The formula through which it is done varies from district to district however, what is clear is that like other essential commodities government authorities involve trade and business

representatives in the discussions for price fixation. No conclusive evidence is available on record which shows that the rates are being fixed in *prima facie* contravention of Section 4 of the Act. However, it is noted with concern that the associations are relied on in the determination of rate lists i.e. PPA for eggs and BFA for broiler and eggs which has created *prima facie* distortions in the prices as pointed out by the traders association. The Commission may address this issue through policy interventions addressed to the relevant authorities.

IV. CONCLUSION

162. The following issues have been identified for further deliberation by the enquiry committee:

- a. Provide an overview of the industry to contextualize any possible violations of Section 4 of the Act.
- b. What is the relevant market in terms of Section 2(1)(k) of the Act?
- c. Whether hatcheries have acted collusively in respect of fixing the price of day old broiler chicks in *prima facie* violation of Section 4 of the Act?
- d. Whether the platform of PPA or any other association is used to fix the prices of eggs and- broiler meat in *prima facie* violation of Section 4 of the Act?

163. Based on the findings of paragraphs 20 to 42, the key points from the sector overview of poultry are:

- a. The poultry supply chain comprises of: Import of GP stock, breeding of parent stock, hatching of day old chicks, layer farming and broiler farming. Poultry feed, vaccines and medicines are its ancillary or allied sectors.
- b. Broiler and layer production in Pakistan comprises of a large number of small farmers scattered over different areas. The total number of broiler and layer farms in Punjab alone are 13,865 and 2,300 respectively. Majority of production in both layer and broiler farming is undertaken by independent farmers.
- c. 80% of DOCs were supplied by 10 to 12 companies most of which are vertically integrated i.e. involved in the import of GP stock, breeding of parent stock, hatching of DOC, meat processing and poultry feed. The remaining 20% of DOC is supplied by independent hatcheries.

- d. Average cost of broiler is Rs.247.57 for per kg meat. The major cost components included poultry feed 68% and DOC 17% which increased to 24.10% when prices of DOC rose to Rs.79.74. During the period July 2020 to July 2021, farmers made an average profit of Rs.18 per kg. The margin of the wholesaler was Rs. 12 which fell to Rs. 8 and the retailer had a fixed margin of Rs. 8.
- e. The average cost per egg is Rs. 8.99 or Rs. 107.88 per dozen. Feed is the major component contributing approximately 76 % in the total cost. The wholesaler and retailer charged a margin of Rs.3/dozen and Rs.4/dozen respectively.
- f. The cost of production for DOC is Rs. 57 per chick with feed the major cost component comprising 64.80% of total cost.

164. Based on the findings of paragraphs 43 to 53, the following three relevant markets are *prima facie*:

- a. The market for broiler meat produced and sold live all over Pakistan;
- b. The market for commercially produced and sold eggs all over Pakistan.
- c. The market for day old broiler chicks produced and sold throughout Pakistan.

165. Based on the findings of paragraph 52 poultry products are primarily produced in Punjab and from there onwards transported for sale to other provinces. Moreover, poultry products are not only used on their own by households but are also used by other sectors such as food processing, bakeries, biscuit and confectioners. These products once packaged are sold throughout the country. Therefore, it appears that the requirements of spill over effect are satisfied.

166. Based on the findings of paragraphs 54 - 66 above, the following are undertakings in the relevant market for DOC as per Section 2(1)(q) of the Act. PPA is also an association of undertakings in terms of the Act.

List of Undertakings	
Sr. No.	Companies producing/selling Day Old Chicks
1	Sadiq Poultry (Pvt.) Ltd
2	Hi-Tech Group
3	Islamabad Group of Companies
4	Olympia Group
5	Jadeed group of companies
6	Supreme Farms-(Seasons Group)
7	Big Bird Group
8	Sabir's Group of companies

167. Based on the findings of paragraphs 69-128 above, it appears that in the relevant market for DOC the following companies have been collectively discussing, sharing and fixing prices since 2019 to 2021 (up to May 2021) in *prima facie* violation of Section 4(2)(a) of the Act:

- a. BBG (2019 to 2021)
- b. Hi tech (2019 to 2021)
- c. Jadeed (2019 to 2021)
- d. SB (2019 to 2021)
- e. Islamabad (2019 to 2021)
- f. Olympia (2019 to 2021)
- g. Sabirs (2019 to 2021)
- h. Supreme (2020-2021).

168. Based on the findings of paragraphs 69-129 above, it appears that during the period 2019 to May 2021, PPA appointed official of BBG as Convener Standing Committee Hatchery Affairs which facilitated coordination amongst undertakings, involved in the production and sale of DOC in collective discussion and decision on DOC prices and was also aware of pricing decisions and announcements made through SMS and WhatsApp group of which its Secretary General is a part of, which constitutes a *prima facie* violation of Section 4(1) read with Section 4(2) (a) of the Act.

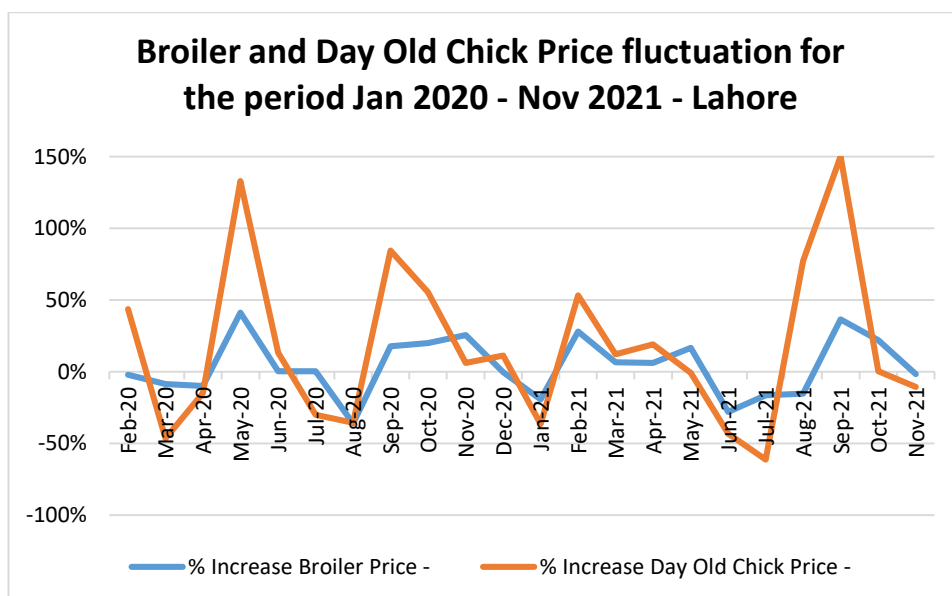
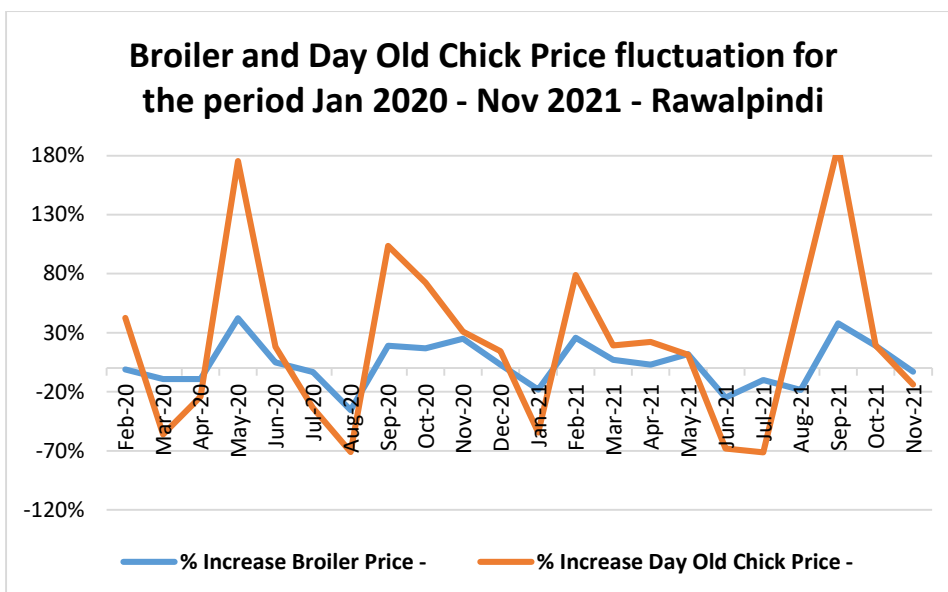
169. Based on the findings of paragraphs 130-139 above, it appears that since broiler chicken and eggs fall in the category of essential commodities their prices are fixed by the various market committees. The formula through which it is done varies from district to district however, what is clear is that like other essential commodities government authorities involve trade and business representatives in the discussions for price fixation. No conclusive evidence is available on record which shows *prima facie* contravention of Section 4 of the Act. However, it is noted with concern that the associations are relied on in the determination of rate lists i.e. PPA for eggs and BFA for broiler and eggs which has created *prima facie* distortions in the prices.

V. RECOMMENDATIONS

170. Poultry products such as chicken meat and eggs are of vital importance to meet the daily nutritional requirements of the general population. Prices of poultry products are dependent upon a number of factors including demand, supply and cost of production. An increase in input costs of farmers will increase the price charged by farmers. After poultry feed, DOC are the largest component of total cost of production of broiler meat. The share of DOC in production cost varies with its price when DOC is priced at Rs.79.74 its share in total cost per kg of meat is 24.10%.
171. The rate of DOC is being set collectively based on the expected demand from farmers. In a competitive market, each individual company would set its own price for DOC however, in the instant matter it appears that the companies are making a collective decision on prices which culminates in the announcement of a single price by a designated official.
172. In 2021 when demand for DOC was expected to rise the companies collectively increased rates. For example, broiler rates usually peak at the time of Eid ul Fitr (high demand holiday 13 to 15 May 2021) this means that farmers start placement of stock 5 to 6 weeks before (i.e. end March and April) and we see the prices of DOC rising to their highest level i.e. Rs.79.9 during this time. In messages between the hatcheries we can observe that at the end of March 2021, just when placement is taking place, the daily rate of DOC announced starts to increase. For example, SMS sent on 31.03.2021, official of BBG says to a dealer that rate of Rs. 73.5 is the "combine decision" presumably of the all the hatcheries. An SMS is sent on 31.03.2021 to an official of SB telling him to maintain a rate of Rs. 73. An SMS dated 01.04.2021 is sent to officials of Olympia and Supreme announcing a rate of Rs.78.5. On 19.04.2021, the official of BBG sends an SMS to official of SB that the rate of DOC will be Rs.78 for two days.
173. It is noted that there are various factors that impact the price of broiler, including demand, supply and cost of production. Any change in the price of poultry feed and DOC will cause a change in prices of broiler the graphs below show the relationship between prices of DOC and broiler over a period of two years⁴⁸. It appears that both broiler and DOC prices move in tandem and have a strong positive correlation of 0.88⁴⁹.

⁴⁸ Monthly average prices obtained for DOC from Agbro website and monthly average prices of Chicken Farm Broiler (live) from PBS

⁴⁹ Broiler and DOC prices from January 2020 to November 2021.



Source: Broiler prices PBS, DOC prices Agbro (*Annex I*)

174. DOC constitutes an average 17% of the total cost of production of broiler meat. Since 2019, the price of DOC has varied significantly and have almost doubled in April 2021 reaching at Rs. 85.5 from 07th – 09th April 2021 (April 10, 2019 Rs.40.5). Assuming an average price of chicken farm broiler (live bird) of Rs. 250/kg, the average cost of DOC for the whole year is approximately Rs. 43 (17% of Rs. 250/kg). Assuming all other variables are constant, an increase of Rs. 10 in the price of DOC i.e. an increase from Rs. 43 to Rs. 53 (23%) when multiplied by the annual poultry meat consumption of

1,400 million tonnes (approximately) has an estimated extra burden of Rs. 13.6 billion on farmers and consumers in Pakistan⁵⁰.

175. Therefore, in the public interest, the Enquiry Committee recommends that the Commission may consider initiating proceedings under Section 30 of the Act against the defined undertakings and PPA for violation of Section 4(2)(a) of the Act, in the relevant market for DOC, in terms of the findings of the enquiry report.
176. With reference to the issue of fixation of broiler and egg prices, the Commission may address the concerns through policy interventions with the relevant authorities.

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⁵⁰ $(0.23 \times 0.17 \times 250 \times 1,400,000,000)$.